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Dot. Bomb AUSTRALIA

How we wrangled, conned and argie-bargied
our way into the new digital universe

KATE ASKEW

ALLEN&UNWIN

First published in 2011

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For Marg and Jim

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Prologue

Why trawl through the hot and heavy arrival of Australia online? Simple. A decade on, Google is a verb, more than one-third of global internet users, including Britain's royal family, use Facebook, and 12 of the 20 richest Americans in 2010—according to *Forbes* magazine—made their bucks from technology. And, in the words of one of his rival tech-heads, Sun Microsystem's Scott 'Technology has the Shelf Life of a Banana' McNealy, Microsoft's Bill Gates is 'probably the most dangerous and powerful industrialist of our age'.

During the late 1990s, Silicon Valley was described as 'the wealthiest insane asylum on earth'. This so-called asylum was the epicentre of a global technology boom that began in mid-1997 and gripped the latter part of the 1990s. Its origins lay in such unlikely places as the Palo Alto garage where Bill Hewlett and Dave Packard began to build computers, and the Los Altos garage of Apple's Steve Jobs, from where the personal computer revolution sprang.

Every move these new technology barons—dubbed 'The Siliconaires'—made, others followed. Even when that meant holing up in the central Californian urban wasteland that is Silicon Valley, as did Evan Thornley, a former management consultant turned entrepreneur who took his LookSmart search engine to San Francisco in 1998 and listed it in the US the following August, and Sausage Software's Steve 'Sausage' Outtrim (nicknamed for the size of his hardware, let alone the fortune he would build).

Sun Microsystems, with its software that reached from its Silicon Valley headquarters in Santa Clara into most computers around the world, also enjoyed the newly expanding horizons. Sun co-founder McNealy, with the wisdom of hindsight, beautifully illustrated just how illogical this global technology boom became:

> At ten times revenues, to give you a ten-year payback, I have to pay you 100 per cent of revenues for ten straight years in dividends. That assumes I can get that by my shareholders. That assumes I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R & D for the next ten years, I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at $US64? Do you realise how ridiculous those basic assumptions are?

The sums just didn't add up. Still, with productivity improving in the US by 5 per cent each quarter during the late 1990s, due to improvements related to the internet such as faster distribution and easier communications, it was hard to quell the exuberance.

That said, in boom times logic is an enormously overrated function. 'How much is enough?' John D. Rockefeller, generator and donor of wealth, and at the time the richest man in the world was asked not long before his death in 1937. 'Just a little bit more,' was his reply. Stockmarkets have been traditionally inhabited by More Haves. By the end of the twentieth century, more than 60 years later, this class of capital-I individual littered the cavernous public viewing areas of stock exchanges and a multitude of stockbrokers' offices.

But this is not a book just about More Haves. They seep into every period of great financial prosperity with their greed, indistinguishable and monochromatic from one era to the next. It was what the late 1990s More Haves were lusting after, what they were attempting to exploit in good and bad guises, that ignited fireworks in global markets.

It was in the mid-1990s that the global population's relationship with technology took a distinct and widespread turn for the better. It prompted a dramatic revolution that hurdled economic, political and ethical borders. Simply, it changed the way in which a vast quantity of the world's human masses related to each other.

'It' was the internet. Stanford University computer science student Vint Cerf had planted the seed of this new form of communication when in 1969 he began developing a network that allowed data to be shared by users in different locations. It wasn't until this new universe collided with commerce in 1990, in the hands of British computer scientist Tim Berners-Lee, that its vastness began to be appreciated.

Even the most fanatical of Luddites couldn't ignore Berners-Lee's newly minted World Wide Web, because it broke down barriers. It was a form of instant communication. It was free

and, most powerfully, it disseminated information across a global audience. At its best, it promised a Wellsian utopia that levelled the playing field. At its worst, it prompted fears among traditional financial players of a coming commercial revolution.

As they would with a new currency or a new economy, these players sought to capitalise on this new communication technology. Australia had long bred a fine specimen of risk-taking capitalist, second only to those found in the United States of Entrepreneurialism—and they were chomping at the bit. Some employed large quantities of fiddle-faddle—stuff and nonsense—in the boom that ensued. And this so-called 'dot.com' craze of the late 1990s had opportunities aplenty to exploit.

The evangelists for this new phase of human communication were plentiful. Even traditionally staid public servants supported the phase with official research: in February 2000 the Australian government published a document headed 'E-Commerce Beyond 2000'. According to its calculations, the business of the internet could add 2.7 per cent to Australia's gross domestic product within seven years. Arguments from less official corners of the business world were loud and somewhat mysterious. For these proselytisers, their biggest weapon was the majority's total lack of knowledge

One such proselytiser, Henry McKelvey Blodget, along with the New York stockbroking firm he worked for, exploited that very lack of knowledge and along the way illustrated dramatically the conflicts in play. Blodget was a journalist turned stockbroking analyst whose prediction in October 1998 that Amazon would hit $US400 a share—which it did within a month—won him a job as head of Merrill Lynch's global internet research team. More time than Blodget wished, however, was devoted

to helping Merrill's investment bankers win mandates from companies to hand out its advice.

Blodget's privately held negative views contrasted with his positive research recommendations, which ultimately became legendary when New York State Attorney General, Eliot Spitzer, published Blodget's emails, resulting in the Securities and Exchange Commission taking legal action against him. In one example, Blodget recommended an online direct marketing company, LifeMinders, to which in September 2000 he gave a rating of 'Accumulate' in the intermediate term and 'Buy' in the long term. However, in December of the same year, Blodget emailed a fellow analyst saying, in reference to LifeMinders: 'I can't believe what a POS [piece of shit] that thing is. Shame on me/us for giving them any benefit of doubt.' POS was a common definition for investments—Blodget used it in relation to several companies for which he made positive recommendations.

In Australia there were the early embracers of the technology, such as the Sydney quartet behind MagnaData, the country's first internet provider. MagnaData never saw the light of a stockmarket listing, but the business provided the basis for one of the high-flying companies of the boom—it was subsumed by Davnet. As financial-markets gurus rushed at any possible internet-related opportunity, many technology geeks behind these opportunities grew into overnight squillionaires.

Because few understood the jargon, anyone could play a part—anyone, that is, who knew how to look behind the scenes and discover who powered these dot.com companies. It was inside knowledge, for example, that any dot.com that was powered by Sun Microsystems' servers, EMC's storage networks, Oracle's databases or Cisco's internet protocol

technology was a serious player. Without these ingredients, you may as well have been a science project.

Blue-chip companies, with proud traditions of flowing profits and long and solid growth, searched for ways to capitalise on this new universe. Their mostly out-of-depth board members were frozen with fear that they would be left standing on this seemingly levelled playing field. Some of those who were most panicked were running retail businesses, such as the department stores David Jones and Myer. The prospect of selling to a global community of buyers—compared with their long experience of setting up their emporia in a single city high street—was on one hand promising, on the other hand terrifying. Naysayers were predicting that dominant retail players, whose profits were already under pressure, were going to experience a weakening and diluting of their power.

In January 2000, the then president of the Australian Institute of Company Directors, Dick Warburton, told the World Economic Forum in Davos, Switzerland, that by adopting an e-commerce model, they could cut costs by as much as one-third. The gut-players of that retail era, people like Gerry Harvey of the hugely profitable Harvey Norman furniture and computer hardware mass chain, were rightly circumspect about the speed with which the internet would change their businesses. But department stores, which were already struggling for profits, were some of the first to throw cash at a great new source—which really boiled down to a great new hope—of revenue creation.

Seducing the global market was a new style of retailer, one that offered a virtual shopping experience. Bricks and mortar didn't come into it. It seemed too good to be true. And it was. The projected hordes of internet shoppers that were plugged

into future profit models were yet to eventuate at scale, but online shops—selling anything from Balmain bugs (Seafood Online) to sex toys (Adultshop)—sprang up in the latter part of 1999 and early 2000. Some did exactly what the department stores were doing and tried selling everything, with indifferent results.

But some of these online efforts, particularly where they were more focused, did succeed. The mighty Amazon River is the central vein of the South American continent. Its namesake, a virtual bookshop which later became a one-stop online entertainment shop, became the lifeblood of the investment portfolios of thousands of shareholders.

Smaller companies threw caution to the wind as the heart-pumping adrenalin of this new boom sent them into overdrive. The promoters bought up mining-company shells—exploration had now turned heavenwards—halting their dirt-digging activities to begin surfing the net. Floating on the stock exchange held all the promise of a financial-markets frenzy. Prospectuses read like Mills & Boon novels—all glitz and glamour and the promise of a wondrously happy future. But, as is often the way in romance novels, the tough, sticky bits were left out.

Everyone joined in. Accountants and lawyers took board seats—and fees for the company's auditing and legal work. Stockbrokers' reports read like home economics techniques for measuring blue sky, otherwise known as the potential profits that were not yet able to be proved, or the upside, or … well, call it what you like. Some derided it as bullshit. 'Hot air' was another descriptor. Slim on detail and light on numbers was the reality.

'How do I get some more shares in a float allocation?' was the common refrain of investors. Warnings of possibly profitless

futures were buried in the unpalatable fine print. Visions of stag profits—earnings made on new listings—and the waterfront houses, glazed white boats and shimmering, azure-tiled swimming pools that these vast quantities of money could buy, floated through stockbrokers' daydreams and stock exchange halls.

Of all the world's stockmarkets on which shares could be listed, the US's NASDAQ was the holy grail. The National Association of Securities Dealers Automated Quotations today boasts the largest trading volume of any stock exchange in the world. From its modest beginnings in the 1970s it became the legendary home for high-tech stocks, which flocked to its board in great numbers encouraged by its low listing fees—never higher than $US150,000 and far lower than the prohibitive charges imposed by the New York Stock Exchange. It was a tech-head's paradise—a place where money virtually grew on trees.

Prominent among the boom-time's jostling movers and shakers were many established public business faces. In Sydney the good mates of James Packer and John Singleton hopped on for the ride, as did the Liberman, Smorgon and Pratt families of Melbourne.

As in any prosperous society, the club mentality was alive and well in Sydney in the late 1990s. Inspired by the stunning impact a sniff of the internet was having on otherwise useless stocks, a bunch of well-known fellows decided to band together to make their own substantial fortunes even greater. A club designed to provide venture capital to some of these fledgling technology ideas was concocted by James Packer (the son of Australia's then richest bloke) and his close friend, David Lowy (son of the second richest), as well as a school chum of Packer's, the interminable Rodney Adler (son of Larry, the insurance

salesman who created an empire then died suddenly forcing his son prematurely into his shoes). Overseeing these brave young entrepreneurs was the irrepressible adman, John Singleton, who was always open to making a buck, of which he had several.

Being members of a very special club, these fellows were also afforded special rights when it came to stockmarket listings and the like. Take Chris Creed O'Hanlon's Spike Networks. TiNSHED as these wily investors called themselves, was able to buy convertible notes in Spike at a 25 per cent discount to the float price.

Then there was the One.Tel club. Packer junior, Adler and their Cranbrook school chum Jodee Rich were among this privileged group, as well as Adler's close business friend, Brad Cooper. The seniors in this group were Peter O'Connell (one of Adler's directors from the family insurance company, FAI), and Brent Potts (Adler's stockbroker and indeed stockbroker to many).

Those who play together, invest together. Such was the case with another club, which counted Packer, Adler, Cooper and O'Connell among its regulars. Nick Politis, a familiar face in Sydney's Eastern Suburbs monied set, had formed this group to raise money for the East's rugby league club. Other members of this group were David Gyngell (Packer's best friend and sometimes workmate), Theo Onisforou (former Packer lawyer), John McGrath (Eastern Suburbs real-estate impressario) and Mark Bouris, another Packer-ite and founder of the mortgage provider, Wizard Home Loans, which Packer was later to buy.

There were also those formal groups which sprang up purely to take advantage of the run on technology investments. There was a $3 million joint venture in 1999 and 2000 called KHATZ Capital. KHATZ stood for (Trevor) Kennedy, (Sean) Howard,

(Rodney) Adler, (Malcolm) Turnbull and (Geoff) Zulman. Zulman—the son of a South African Supreme Court judge—was a former consultant to Adler's company FAI Insurance and the only venturer in the group who was relatively unknown. He had approached Adler with a plan for the investment company and Adler took it to his mates, Kennedy, Howard and Turnbull, who had shored up their financial futures through their success with email provider, OzEmail.

Such high-profile investors backed blue sky in ready quantities and in the process lent legitimacy, and sometimes more hot air, to these companies' share values. Whether they were genuinely seduced by the technologies behind their new investments, or were simply attracted to the potentially vast and lightning returns on offer, is hard to tell.

The traditional media companies—old names like Packer, Murdoch and Fairfax—embraced this new forum for their content and sprouted online arms. They looked further afield, to telecommunications, for new sources of revenue and as a means of shoring up new networks. Yet they foundered on high costs and low returns. Businesses like Tribe.com—which was listed in November 1999 with former Victorian Premier Jeff Kennett as chairman—aimed to provide their own content for their websites, but they quickly found that they were light years behind their traditional media rivals and that content was expensive to produce. The service providers that always lurk around media companies—the advertising agencies and suchlike—were also along for the ride.

Business identities and former politicians, with their public legitimacy in hand, were lured onto the boards of online stockbrokers, content providers and virtual retailers. Paul Keating, former prime minister, was one of the few who

didn't succumb to a board seat on the company which made him a multi-millionaire, Lake Technology. This was unlike former New South Wales premiers Neville Wran and Nick Greiner, who took up board positions on these new-fangled companies seemingly without a second thought. Keating spent $11,000 for a seed stake in Lake (no doubt he fully appreciated what its audio technology had to offer to his beloved Mahler recordings); even though it could be argued that it wasn't a dot.com company, Lake profited from the stockmarket boom in those hot times.

As for the investing masses, which of them knew the difference between a switched and a switch-less reseller? One thing was for sure, these More Haves were rapidly evolving into Must Haves and simply didn't care to learn or listen. Overnight, vast wealth came; and then, over the next night, these fortunes evaporated as companies disappeared as if in the extinguishing of a light. Brutal market forces had allowed many companies to grow—care of the promise of easy money, high expectations and a fabulous upside. The same brutality saw many companies fail because of no money, unachievable expectations and far too much downside.

There were survivors, of course. Those whose technologies shone, whose coffers were full enough, whose backing was not easily shaken by the vagaries of stockmarket booms and crashes, built businesses. They have remained. Some have even prospered. They would agree with Rene Anselmo, the founder of independent satellite company PanAmSat Corporation, who ran in ads in the *Wall Street Journal*. The ads featured the company's mascot, Spot the Dog, urinating on politicians' legs and proclaimed: 'Truth and Technology Will Triumph Over Bullshit and Bureaucracy'.

The beginning of the first decade of the new century saw the end of the internet boom. On 10 March 2000 the NASDAQ's until-then-inexorable rise ended. On that historic day its composite index hit an intra-day high of 5133 points, which was double that of the previous year, before closing the day at 5049. The following Monday morning a mass of sell orders for mainstream technology stocks hit the screens and the index fell to 4879 points. On 3 April, in the US government's high-profile case against Microsoft, the courts deemed the technology giant a monopoly. By Friday 14 April the death of the dot.com boom was official when the NASDAQ lost 10 per cent in one trading session. At 3321 points, the composite index had lost 34 per cent since the tide began to turn on 10 March. At that point the many dot.com millionaires would have done well to take the advice of the blokes behind accounting software group Reckon, namely, that if you couldn't take it out and spend it at the pub, then it wasn't real money.

In the final weeks of 2009, on a warm October day in a technology university in the increasingly technology-friendly state of Queensland, Secretary to the Treasury—when he wasn't being a passionate conservationist—Dr Ken Henry gave a momentous speech entitled 'The Shape of Things to Come', in which he told a gathering of business leaders that they were witnessing the onset of an information and communication-technology revolution. 'I sometimes get the impression that some people believe that the information and communication technology revolution ended with the collapse of the dot.com bubble earlier this decade,' he mused. 'Instead, there are very good reasons to believe that we have only just begun to see what the information and communication technology revolution promises.'

The truth at the beginning was that the internet was a revolution. And that truth still holds.

PART ONE

Pioneers and Visionaries

'To be honest, from the day that we started it, I saw very quickly that we could grow this into at least $100, $150-million company. I was absolutely clueless about how that was going to happen, but there was a sense that we were on the cusp of something rather important and amazing, and that we in Australia were going to be at the centre of it somehow.'

Creed O'Hanlon

ONE

How we got online

Back in 1992 Malcolm Turnbull was heard to remark that he never wanted to be poor again. This was many years before he had taken to driving a middle-class Volvo XC70 station wagon to Canberra's House on the Hill from his mansion situated on Sydney's swish Point Piper most weeks for work.

Malcolm Bligh Turnbull was at this time a man in want of a fortune. Working for Kerry Packer, the richest bloke in the country, in his Park Street, Sydney, headquarters in the 1980s had been a good start. So had hitching up with arguably one of the Australian Labor Party's greatest politicians, the venerable Neville Wran, in a merchant banking operation that ran from the late 1980s through to the 1990s. In spite of the alluring image created by its fancy, column-dressed offices (an initiative from the Nick Whitlam side of the partnership), merchant banking simply did not provide the kind of fortune that Turnbull wanted. On at least one occasion he sought counsel among those

men richer than himself in Sydney's Eastern Suburbs as to how he might further his aspirations to amass not just a good, but a very great, fortune indeed.

To this end, the lawyer-turned-banker experimented with the smaller, faster end of the local stockmarket. There was a listed logging company that worked, appropriately enough, in the densely forested Solomon Islands. Then, through another listed tiddler, there was the promise of gold deposits in the wilds of the Irkutsk region of central Siberia, the biggest untapped deposit in the world, no less. The first ran into trouble for its environmental practices, incurring the local prime minister's wrath. The second was an even more complicated matter, also involving politicians. Star Mining, which had an interest in a Russian company with rights to mine the Sukhoi Log deposit, had its deal scuppered by a fickle Russian government after it rescinded the mining right.

But Turnbull's real chance to salt away swagloads of cash didn't come until 1995, when an opportunity presented itself for him to take a bet on what was to be the next stockmarket fad—technology. Oz-E-Mail, as it was first known, was the innovation that Kerry Packer let slip through his powerful fingers and, when Packer stepped aside, Turnbull and fellow former Packer acolyte Trevor Kennedy opened their chequebooks.

After dropping out of medical school when he realised he couldn't stand the sight of blood, in 1980 Sean Howard borrowed against his mother's home to launch the magazine *Australian Personal Computer*. By 1984 that decision paid off when Packer's company Australian Consolidated Press agreed to pay $1.5 million for a 60 per cent stake in the magazine. Howard stayed on in the Packer camp until 1992, running their computer magazine division, which contained both *APC*, in

which he retained a stake, and other magazines in which he had no stake. But then an acrimonious split—there were few other types of splits when senior employees left Packer's empire—saw him depart, taking with him the experimental electronic mail provider Oz-E-Mail, then in embryonic form. During his first few years at ACP, Howard had enjoyed the freedom afforded him by his then boss, Trevor Kennedy. When Richard Walsh stepped in to run ACP in 1986, his hands-on approach and focus on the business's bottom line was less suited to Howard's independent disposition.

Howard exited from Australian Consolidated Press with OzEmail, as it was now known, in his clutches, while taking background advice from Trevor Kennedy, who had also departed from Packerdom under less-than-friendly circumstances. Howard had approached Kennedy for financial backing for the new venture and asked for $1 million. Kennedy said he'd put up half and find someone else to front the other half. Kennedy approached the flamboyant Sydney stockbroker and his some-time business partner, Rene Rivkin, who declined the offer. Next Kennedy went to Malcolm Turnbull, by then yet another disaffected ex-Packer employee, who agreed. So, with Turnbull and Kennedy behind it, OzEmail set out to be the viaduct that would connect Australia to the internet. In 1993 OzEmail was a fledgling dial-up internet service provider, and not even one of the first in the country: it was way down in the ranks at number 33. The difference was that it had solid cash backing—Turnbull and Kennedy put up $450,000 each—to fund its plans.

As the internet came into everyday use, OzEmail thrived with its simple technology that allowed households to connect to the internet and access email through their telephone line.

It listed on the US NASDAQ market in 1996, followed by a compliance listing—one in which no extra capital is needed—in Australia. Turnbull ran the US roadshow to sell the Australian company to American investors and was by all accounts brilliant in the job, so brilliant that it mattered little that he stopped midway through one presentation to ask an institutional investor, who would have been a valuable addition to the company's register, to leave if he couldn't be quiet. The investor acquiesced on both fronts—he remained quiet and he did later invest in the business—such was the sway of an investment in OzEmail that it outweighed Turnbull's characteristic caustic commentary.

Yes, nothing could keep Turnbull down. Not even a Boston limousine driver, who warned Turnbull, Howard and OzEmail operations head David Spence that the female fund manager from Fidelity that they were visiting was so ferocious that the last company executive to visit her had emerged in tears. The trio were ushered into a conference room where Turnbull set up the computer on the table for the presentation. Howard dived under the table to plug it into the power point. At that very moment the terrifying fund manager entered. Turnbull introduced himself and Spence and then said: 'Our chief executive Sean Howard has heard how ferocious you are with companies seeking capital and so terrified is he that he is hiding under this table.' She burst out laughing and said: 'Aw, c'mon, I'm a pussy cat,' at which point Howard looked out from under the table and said 'Hello', whereupon she almost fell over laughing. She took a big slice of the IPO.

Then of course there was the evening Turnbull and Spence abandoned their smoke-smelling rooms at a hotel just outside Philadelphia in favour of themed rooms. It was only as the

boardroom curtains opened at the next day's presentation in a fund manager's office that they realised Turnbull had glitter stuck to his face and hair, picked up unwittingly in his themed boudoir.

OzEmail was a far easier way to make money than the four Aeroflot trips into central Siberia he had made two years earlier while trying to negotiate Russian goldmine interests.

The company distinguished itself in Australia through its rapid growth. It was first to tap the NASDAQ stockmarket, which would become the holy grail for dot.com hopefuls in Australia. Listed on the NASDAQ, its shares were trading at $US14 giving it the improbable price to earnings ratio—a valuation of a company's current share price compared to its per-share earnings—of 457. 'It's insanity. There's no way to value some of these [internet and technology] companies. People are buying them because they're going on the presumption they will keep going up,' Michael Metz, chief investment strategist at the US investment firm Oppenheimer & Co., told leading financial magazine *Barrons* at the time. It would be four years before people's presumptions took an about-turn.

The major players in Australia sized up OzEmail for purchase. Hans Torv, brother of Rupert Murdoch's then wife, Anna, had been given the task of expanding News Corp's electronic business. He offered Turnbull, Kennedy and Howard $2 million to buy OzEmail. Telstra also took a look, as did the chaps at ACP who had let the fledgling business out of their grip. It offered $5 million, which the trio also rejected, though Turnbull was keen to sell at the time.

By 1998 use of the internet was doubling every four months. Within five years OzEmail's employees had grown from 4 to 700. By that year it had become patently obvious to the OzEmail

triumvirate that, if it was to continue to compete, it needed its own infrastructure. Without that, the telecom majors would eventually outgun them.

To that end OzEmail set about raising $250 million in debt and equity. Its plan was to spend this money creating fibre-optic loops in Australia's big cities. But the collapse of the bond market in September 1998—care of the $4.6 billion in losses that eventually came to light at the hedge fund, Long-Term Capital Management, forcing a US government-led bailout—prevented this happening. In the wake of this disaster US stocks plunged, including internet-style companies; OzEmail's NASDAQ-traded American Depository Receipts suffered a similar fate.

The obvious alternative was to set about being swallowed up by one of the majors. By the end of 1998 that strategy became an eventuality—the US giant WorldCom was looking for opportunities outside the US. Its advisor, Merrill Lynch, came knocking. Given that most internet traffic at this time was directed to US websites, non-US carriers like OzEmail were having to pay American ISPs as their users surfed their websites. This was expensive for non-US ISPs such as OzEmail, which made a deal with a company like WorldCom very attractive. Kennedy and Turnbull were always concerned that the light at the end of the OzEmail tunnel was going to turn out to be a freight train; in other words, that OzEmail's journey to profitability could end in a train wreck if it could not fund its ambitions. And so the deal was sealed, but not before Kennedy had to do some quick talking to get Howard—who initially believed the business could be worth $1 billion—across the line. Kennedy told him he was always happy to leave something on the table for the next fellow. In the final negotiation, which was being

handled from the library of law firm Ebsworths in Sydney's Martin Place, Turnbull was talking to the WorldCom subsidiary UUNet, and said, as he endeavoured to get an extra dollar: 'You don't want to lose this deal by nickel and diming.' At that point Kennedy, who was hovering over Turnbull with Howard at his elbow, took the phone from his hand and with a deadly earnestness said: 'And that applies to you too, Malcolm.' So Turnbull took the phone back and split the difference with UUNet.

Bernie Ebbers, a one-time basketball coach from Mississippi, ran WorldCom and had taken the company into the telecoms big league. A WorldCom subsidiary finally bid $US520 million for OzEmail in 1999. Turnbull had been working on the deal along with Merrill Lynch as advisors, but it was Turnbull's superior deal-making skills that saw WorldCom bid over and above the trio's price expectations. Some at the time judged it underpriced, and the local dot.com boom was still well short of its zenith, and Kennedy walked away with almost $60 million. Turnbull's shares were owned by his merchant banking partnership—a fact which was never revealed publicly—so he had to share his $60 million with Neville Wran. Wran owned 30 per cent of the partnership and Turnbull the rest. Turnbull made his debut in *BRW*'s must-read annual Rich List with an estimated net wealth of $65 million—nearly $60 million of which was attributed to his OzEmail sale. It was not corrected. Sean Howard pocketed $118 million and retained a role in the company.

Under American ownership OzEmail was split into its corporate subscriber base, which was shunted into the WorldCom subsidiary UUNet and its residential subscriber business. But when WorldCom fell on hard times in 1999, OzEmail suddenly

found itself up for sale. A year later there were various sale negotiations. NewsCorp sniffed around, thinking OzEmail could be a way to leverage itself into the internet access business. Telstra was interested because it wanted to shore up its own market and offered $400 million, but it was immediately outgunned by eisa, another ISP, which bid $325 million including a commitment to spend up to $200 million using WorldCom's network.

In 1998, Trevor Kennedy had been effusive about Sean Howard: 'He's a very brilliant man. [The OzEmail concept] looked fantastic. It was one of those things that always looked as though it had endless potential. But it was Sean who foresaw that rather than the rest of us. It's not something I could or would have found myself.' With those words Kennedy summed up the nature of what was to come in the internet boom in Australia—clever guys coming up with ideas that were then carefully manipulated into public-company frameworks, backed by investors with moolah to spare but not necessarily a clue about the internet and its various aspects.

TWO

Stayin' alive

Thomas Koltai's finely tuned strut was surely modelled on John Travolta circa 1977. Born in New Zealand in 1958, he was a cool dude in Darwin's budding information technology sector. It was 1989 and the first company to get Australians online, Pegasus Networks, had just set up shop. The IBM personal computer had been around for about six years and Australia's Academic and Research Network (AARNet) had just that year begun building Australia's commercial internet network.

Darwin was well placed to be at the forefront of the new technology, having been a link in the support chain for the Overland Telegraph that connected Australia to Europe through a submarine cable to Java. Koltai fitted right in with that pioneering spirit. A computer programmer by trade, he launched Kakadu Konnection in 1989 to capitalise on an existing system which had been a precursor to the internet.

Five years earlier a company called PC Connection Australia had come up with an idea for a bulletin-board system, which users could log in to and communicate with others. Two years later Koltai had commercialised the bulletin-board concept—making it as commercial as was possible with something most people regarded as a hobby—and within another two years he'd taken this hobby both interstate and international.

It was hardly a wonder that by 1995 he was one of the backyard outfits trying to capitalise on the introduction of the internet in Australia through his own internet service provider, Ausnet, which had begun life in 1993 as NT-Net. It was one of the first four ISPs of the time but Koltai preferred to describe it as the fastest growing.

Ausnet was undoubtedly one of the largest. Its strength in attracting customers by the truckload came from its easy-access package, which could be bought in thousands of newsagencies, and its cheap rates. Koltai the i-evangelist had a vision. He saw a future in which ordinary people would have access to this brave new internet world as well as to other services, such as long-distance phone calls and cable television, at a rate of about one cent a minute. He railed—and still rails—against the influence of the big telecoms. So driven was he by this vision that he tried to implement it three times.

To put that in context, in 2000 the head of Australia's consumer watchdog, the Australian Competition and Consumer Commission (ACCC), Professor Allan Fels, criticised the nation's biggest telecom, Telstra, for its wholesale interconnect costs (that is, its charge to other carriers using Telstra's network to connect their customers) of 2.3 cents a minute. Along the way Koltai managed to convince some of the largest telecommunications players to back him. Internationally, those who signed up

to his vision included majors like Lucent and British Telecom. At home, his backers included Telstra.

But his first foray into the world of ISPs wasn't to last long. Koltai's big problem came not because of lack of funding or a faulty business plan but because of an external problem. In 1995 a colourful fellow who went by the name Skeeve Stevens, later to become known as the Optik Surfer, undid Koltai's plans for internet domination within Australia's shores. Stevens' agenda was to demonstrate that the internet was not the safe place for consumers that many thought it was. Rather, it was a flawed arena where appropriate checks and balances were not being made and personal information was open to abuse. Stevens offered to check the security of Ausnet's systems and was rejected, so took matters into his own hands and hacked into one of Ausnet's servers, taking the credit-card details of 1200 of its customers. He then generously published these credit card details on the internet, proclaiming that he wanted to prove the point he had already made to Koltai—that his system was not secure. Stevens had earlier visited the offices of the *Sydney Morning Herald* and offered its computer editor the story of Ausnet's flawed security system. It was from these offices that he hacked into the Ausnet system.

Stevens liked to model himself on the characters in the Hollywood movie *Sneakers*, in which Robert Redford played a computer hacker determined to show up flaws in computer systems and raise questions about privacy issues. Perhaps Stevens hammered his point a little too far—he spent 18 months in the clink as a result of his need to make a point.

Koltai, for his part, blamed his technical department for not following his instructions on how to make its system secure. But it wasn't only Ausnet that sustained enormous damage to its

reputation—with the Optik Surfer incident costing the company $2 million, Koltai was replaced as its managing director in November that year. Then, after a very public falling out with his board over severance pay, he ended up suing the company.

Comments at this time by the company's general manager, Doug Ruttan, were telling. Although OzEmail had just listed on the NASDAQ to much fanfare, Ruttan threw cold water on Koltai's plans to follow suit and made the point that 'Ausnet is maybe not quite ready for a float ... We're not making huge profits, in fact, we're barely making any.' Indeed, by 1997 Koltai's main backer, Ray Gatt, who had held 80 per cent of the company, sold out to rival ISP Microplex.

But Koltai was undeterred in his vision. He began his next ISP from the superb comfort of his home in the prestigious Connaught apartment building overlooking Sydney's Hyde Park. His second vehicle was a company called Ourworld Global Network, which quickly set about its self-proclaimed task of becoming Australia's most important ISP. To this end Koltai courted the Sydney stockbroker Albert Wong.

Wong was behind many a stockmarket play and had a nose for a deal which capitalised on a boom—he could turn his hand to many different industries. He was better known in Sydney for his co-founding of the stockbroking firm Intersuisse with Andrew Forrest, who was later to become the country's richest man through his interests in the iron ore company Fortescue. Wong had become a friend of the former New South Wales premier Neville Wran, and their mutually beneficial relationship began to blossom during this time.

Ourworld Global Network's plan was to become a wholesaler of internet bandwidth to other retail ISPs. It brought the bandwidth into Australia through satellites and then dis-

seminated it to customers through cable. But the business plan was flawed. The company was paying large amounts to Connecticut-based PanAmSat Corporation for its satellite feed, but the problem was that it wasn't collecting revenue fast enough from its customers.

But it wasn't Koltai's fault. By 1998 cash was running out faster than it could be replaced. To keep operating, it needed to raise $500,000, and fast. When that became impossible, there was no alternative than to call in an administrator. By now Koltai had bid the company farewell having lasted, this time, less than a year. The parent company of ourworld Global was the listed holding company Barton Capital, controlled by Wong, who explained that if the corporate undertaker hadn't been called in, the entire listed company would have been in danger of sliding into the corporate grave.

Again, Koltai blamed someone else. This time he said it was the failure of the principal shareholder—presumably he meant Wong—to come up with the capital needed to follow the company's business plan. Koltai had talked up revenues of $500,000 a month, which he said at the time was 'more money than I'd ever made in my life'. Again, Koltai had put his very best deal-making and stock-promotion skills to work. He had put forward the possibility of telecom giant Optus and United International Holdings, owner of Australian pay TV operator Austar, backing the company in its plans to run a wholesale ISP.

The third attempt came through another ISP that had been around for years, Geko Internet, which Koltai bought from its liquidator. Seemingly oblivious to the fact that Koltai had previously fallen out so rapidly with his business partners,

backers piled in. His gift of the gab had once more stood him in good stead.

By 1999 he again hit the dot.com market, this time through a backdoor listing. Golden Tiger Resources was a prospecting company whose share price needed some pepping up. A plan was hatched that Golden Tiger would buy 55 per cent of Geko from Koltai, and in return Koltai would get 5.5 million shares in the company—valued at just over $2 million. Adding a little bit more of an incentive, Koltai would also get 15 million options, exerciseable at 35c, 45c and 55c on or before 30 June 2001. Geko would now be known as AusISP, and it had a sister company, which Koltai had named Austel Communications. For Austel Communications, his Australian ISP franchise vehicle, he began acquiring other ISPs, including local companies Macrotec and Worldwire.

The magic in the deal came through the introduction of three new directors. The first was one Ludger Kohmascher, a German frozen-food magnate, who was appointed to the Golden Tiger board. Kohmascher was a well-known player in Australian tiddlers and he became involved through one of his other internet plays, Grange Resources, on whose board he sat. Komascher's lucky touch had been demonstrated in April 1999, when he had bought a $6 million-odd swag of E*Trade shares at $2.51 and subsequently sold them at more than quadruple that price. The other two new directors were Richard Frawley, business development manager at Cisco Systems, and Michael Hoy, a former John Fairfax Holdings director. 'They needed someone with good knowledge of the internet industry to keep an eye on what I'm doing,' Koltai joked to *Sydney Morning Herald* journalist Sue Lowe. Tellingly, Koltai was not invited onto the Golden Tiger board.

Golden Tiger was duly renamed ISP Ltd and quickly set about buying up six other ISPs in Australia, under Koltai's plans for global domination. Telecommunications giant Lucent again put up funds in support of Koltai's vision. The board's concern for the company's well-being was heightened at the end of 2000 after it hired a new chief operating officer, Steven Hong. Koltai had been absent when Hong was appointed, but when he found out that a concerned Hong had called in his own accountants, he attempted to push Hong out of his job.

By May 2001 ISP's chairman Michael Hoy had hit the panic button and called in an administrator. The Australian Securities and Investments Commission had also launched action against the company over its failure to lodge its half-year accounts. The administrator, Hall Chadwick's Richard Albarran, found the company's accounts 'in such a state of disarray' that it was difficult to prepare accurate financial statements. It had been 11 months since the company's accounts had been audited.

Lucent was owed $1 million and there were other significant creditors. Albarran said he expected that the company's 5500 Australian subscribers would be sold for a price equivalent to about $10 a head. The shortfall of $945,000 just about summed up the gap between Koltai's vision and reality.

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THREE

At the edge

Melbourne's Crown Casino is a tribute to the capacity of wealth to trump good taste. Its plush furnishings, elaborate wallpapers and multitudes of dimmed lights create a glamorous cavern for the pursuit of adrenalin-fuelled activities. That the Liberal Party of Australia chose to hold the gala dinner for its year 2000 national convention in its confines is a tribute in the same vein.

A young internet entrepreneur, Damien Brady, had organised for his company to pay $31,000 to be the key sponsor of the event and for that he got to take to the podium and deliver the keynote speech. For 34-year-old Brady it marked the beginning of what could have been his ascension into the top echelons of Australian political and business life. But it was 15 April 2000—the day after the NASDAQ meltdown—and the end of the great race to crystallise the value of the internet was looming.

Brady ran an internet company called eisa. Apart from being a testament to the annoying habit of new-age entrepreneurs to turn English capitalisation on its head, eisa was one of the high-profile dot.com stars alongside such luminaries as Spike and Liberty One. Kerry Packer's ecorp, another lowercase internet business, had been the biggest float of the dot.com period—eisa's float had been the second biggest.

That evening in the casino's ballroom Brady was in the company of the Prime Minister, John Howard, his deputy Peter Costello and a rash of Australia's top businesswomen and men. 'It is a sign of the times that I am here tonight to welcome you to this dinner,' he said. 'As the chief executive of eisa I head a business that became a public company less than a year ago. Yet when our purchase of OzEmail Internet is completed, our company will have over 400,000 customers and a value approaching $1 billion.'

But Brady's public show of enthusiasm for the new economy and the radical changes it was bringing belied an undertow of financial strain. The changes were certain, Brady opined, but somehow forgot to mention that there was little likelihood of the ISP eisa being at their forefront.

Perhaps this lapse can be compared to the way he failed to mention that the UCLA-accredited Master of Business Administration he had claimed in the eisa prospectus was not actually from UCLA. It seems that at the time the prospectus was being drawn up, Brady's supporting documentation was packed away and he was unable to access it, and it was later revealed that his MBA was in fact an honorary degree he had received from an unnamed Asian university. The writer of the prospectus, eisa employee Phil Dobbie, would later say on his eponymous website that it was his 'greatest work of fiction', about which

he still feels guilty because the well-written, good-looking document attracted so many investors. Like Blodget's 'POS' recommendations, Dobbie had been caught up in the heady dot.com atmosphere, writing something he was less than sure of.

Publicly, eisa was on a roll—it had announced a $325-million takeover of its fellow ISP OzEmail on 15 February 2000. But by the following weekend technology stocks had begun to be hit in the US. The fall had begun. Eisa's shares had been trading at $2.11 before Brady's speech, but only a few days later they were down to 93 cents.

To understand eisa's predicament fully, it was necessary to cast back to its inception and to a Chinese–Australian fellow who went by the name of Johnson Wang. It was, in fact, a wonder that none of the exceptionally talented individuals who got into bed with eisa had ever made themselves closely acquainted with its early history.

Eisa had been beautifully conceived. From the moment the 30-something Beijing-born Wang—who had migrated to Australia in 1989 after winning then losing a fortune in Hong Kong—dreamt up the concept of Edge Internet Services Australia (eisa) from a Sydney North Shore backyard, it was destined to end badly. As a stand-alone ISP it might have had a hope. But instead it found itself in possession of Wang's Edge computer-sales business and its excessive load of debt. Long before dot bombed in April 2000, Wang's Edge had been experiencing its own challenges.

The internet boom couldn't have timed itself better for dear old Wang. In the months before eisa was founded, the computer company, which declared that it produced its computers in 31 locations across 10 countries, was facing a claim for more than $12 million from computer-software giant Microsoft for unpaid

licence fees. And profits were proving to be about as elusive as those of the new economy.

Eisa was forced to prop up Edge's business. It bought a pile of computers from Edge, which it then sold to online customers together with its internet service packages. Indeed, eisa customers received a new computer when they signed up to use eisa as an internet provider.

What wasn't obvious to Australian investors in eisa was the amount of trouble Wang had stirred up for himself and his Edge operations in the US. By late 1999 Edge was having serious problems. The Continental Insurance Company was suing Wang's company, and the Federal Express Corporation in Texas was claiming $US750,000 in damages for negligence, according to documents uncovered by the *Sydney Morning Herald*'s Ben Hills. Edge's US operations went under in April 2000, but not before Wang had blamed many factors, including Taiwanese earthquakes. He had in the meantime initiated the brilliant approach of buying healthier businesses to help stave off Edge's own problems. In mid-1999 he had instructed the head of his US operations, the 20-something Campbell Angus, to start buying up companies quickly.

Wang applied exactly the same logic when he came to float eisa. However, eisa's fundamentals appeared to be sound: it had a brilliant marketing strategy, it gave the public an internet service which they apparently wanted, it had already accumulated a not insignificant customer base of 85,000 people and it had the PC distribution business. It also had global ambitions. To this end it had gathered a band of partners to aid in its strategy to take on the world—partners with big reputations. Backing the deal was Australia's foremost independent media company, John Fairfax Holdings, together with Disney and Hastings

Funds Management, the latter run by the former AFL star, Mike Fitzpatrick. Together they were backing a $500 million deal that was going to take eisa to blue-chip stock-exchange status by buying OzEmail from its US owner WorldCom.

Wang had always taken an interesting approach to business. What emerged after eisa collapsed was the fact that his 57 per cent stake in the company was held in a so-called 'black box' company—referring to its lack of transparency—in the Caribbean tax haven of Curaçao, in the Dutch Antilles. Then there had been the small matter in New Zealand, where Edge Computers Ltd was found to have sold fake computer chips. In an apt form of irony, Wang was presented with the National Bank's Ethnic Businessman of the Year Award in 1996 by none other than the Prime Minister, John Howard. While Wang had built Edge in little more than a decade into Australia's biggest PC seller, it was a plus-size business built on the slenderest of margins.

As for Brady, he had been working as a consultant when the job running Johnson Wang's internet strategy presented itself. He had been brought in for his ability to do deals, not for his ability to run the day-to-day affairs of the company. And there was little doubt the company needed a deal. Eisa's board knew that, as did anyone who had taken a close look. The company was floated largely through the extensive efforts of the up-and-coming Perth stockbroker, Hartley Poynton.

In the whirlwind of the internet boom, few were looking too closely at business fundamentals. Motorbike sponsorship was attracting more attention. Damian Brady was an enthusiast whose gusto for technology was matched only by his passion for motorised two-wheelers. And that was the wonderful thing about a technology boom—it had allowed

Brady to throw all sorts of sponsorship money at his hobby. Not surprisingly, eisa shaped up as a jolly generous sponsor of the motorbike racing industry and Brady organised to help out a group called Top Rider Motorcycles in return for giving eisa public exposure.

But in the days after Brady's speech to the Liberal Party faithful everything began to unravel. By Monday eisa's partners in its company-making deal—Fairfax, Disney and Hastings Funds Management—were becoming uncomfortable. Monday 17 April 2000 was Armageddon for technology stocks and their shareholders on the Australian Stock Exchange—investors wiped about $36 billion from the Australian share market in response to the bursting of the internet bubble in the US over the weekend. Eisa's life-breathing deal was suddenly no longer assured.

The deal was hastily restructured. Eisa, which had had a line-up of partners to choose from, was suddenly without enough cash to get it across the line. Eventually its corporate advisor, Hartley Poynton's Robert Crossman, convinced his firm's Canadian backer, the Royal Bank of Canada, to come up with a $10 million facility—at the cost of a non-refundable $500,000. This facility was contingent upon both the deal and its fundraising being completed. It never made it.

Established Perth broking house Hartley Poynton had also been drawn into the new age. It had changed its name to HP JDV and embarked upon applying itself to the new technology age (a name change, albeit to one all in capitals, had been a sterling start) as well as retaining its traditional stockbroking and corporate advisory services. Robert Crossman was a corporate advisor with slicked-back hair and an equally slicked-back attitude. He and eisa promised each other great riches.

Meanwhile, regional pay TV operator Austar stepped into the breach created by the collapse of the OzEmail deal. The boy from Minneapolis, Austar's John Porter, wanted eisa's customer base in order to kick-start its internet strategy. Eisa's board wanted a deal with Austar to save putting the company into administration. Johnson Wang wanted the deal because Austar was going to pay $11 million for his stock, leaving him liquid.

What neither Austar nor eisa realised was that WIN media group's wily and reclusive boss, Bruce Gordon, was planning on waiting for eisa to collapse so he could then pick over the carcass. Gordon was believed to have spent about $10 million on his eisa shares, though his identity only became known after eisa succumbed to the corporate grave. He knew that 80 per cent of that value was already lost, but that putting the company into administration would mean a far lower sale price. He also knew something could be saved from the deal. The investment in eisa wouldn't have been for nothing—call it averaging down—or maybe Gordon had his eye on eisa all along.

What Gordon didn't count on was a lock-up deal that eisa had struck with Austar, which prevented negotiations with WIN. Austar ought to have thanked Bruce Gordon for his help. WIN blocked the Austar bid for eisa and, without the Austar deal, eisa was forced to call in the administrator. The regional pay-television group saved about $18.5 million by later buying eisa from its corporate undertaker, Ferrier Hodgson's Andrew Love. Its original deal to buy eisa was worth more than $24 million. In the end it bought it out of administration for $5.5 million after the eisa board called in the administrator on 21 September 2000.

After 30 May 2000, when Fairfax withdrew its backing from eisa's expansion plans, two of the company's directors, former adman Michael Ball and ex-George Weston biscuit-maker John Pascoe, resigned, both citing illness. Thankfully, the meningitis-stricken Pascoe had recovered sufficiently to take up with another dot.com concern, St George's online financial planning and funds administration business, six weeks later.

Making the story even more newsworthy was the fact that Andrew Love was investigating Brady and wanted to claw back the $390,000 he claimed had been spent helping out motorbike racing. Brady may have rather been remembered for other corporate activities, but the difficulty was that he disagreed with Love and the police, who were of the opinion that he hadn't had the official nod from the eisa board to spend the money on bikes. An even greater difficulty for all involved was that the one man who could set them straight—eisa founder and brilliantisimo Johnson Wang—had left the country.

But Brady was found to have done no wrong. Love decided it wasn't worth chasing him over the sponsorship deal, because the legal costs would have come out of the funds that would go to eisa creditors. And Wang escaped his financial problems by hitching a ride to Hong Kong after appointing an administrator to Edge, which he did just as he was leaving Australia.

He had left for good and it was no wonder. Johnson Wang had been terribly unlucky. His house in the leafy northern Sydney suburb of Killara had been burnt out after an alleged arson attack and that left Edge, the company he had built his entire fortune on, with additional losses of $3 million because of the destruction of the collateral for his personal borrowings from the company. After he disappeared to Hong Kong with his wife Phynia and their daughter Jennifer, his only

contact with his former business and life was through email exchanges with the administrators of Edge and eisa. He later filed immigration papers with an Australian court that said he wouldn't be returning to Australia. His house in Killara was left to eisa's creditors, who were owed $30 million.

Ultimately Wang was bankrupted in a Sydney court and $900,000-odd was paid out to his personal creditors. Both the Australian Securities and Investments Commission and eisa's administrator decided against investigating any of the company's directors or officers. The administrator did conclude that the company had traded while insolvent but he declined to prosecute the directors, because, on legal advice, they could mount a good defence that they had acted honestly and diligently. They were all free to go. Eisa shareholders, sadly, weren't so lucky.

OzEmail was eventually sold in 2005 to Michael Malone's Perth-based iinet, Australia's third-largest ISP behind Telstra and Optus. After eisa's $325-million bid for the company collapsed, Telstra's offer got the kybosh from the consumer watchdog, the Australian Consumer and Competition Commission, on competition grounds. Upstart telecom One.Tel took a good look, but it was by now beginning to experience its own, ultimately fatal, problems.

Iinet acquired OzEmail for $110 million, about one-fifth of the price WorldCom had paid for it. 2005 was the same year that WorldCom's former boss Bernie Ebbers was found guilty of a $US11 billion fraud and the company filed for bankruptcy in the largest corporate collapse in American history. In 2006

iinet looked like it might be heading the same way after reporting a $71 million loss largely as a result of the difficult integration of the OzEmail business.

In all this mayhem, Turnbull, Kennedy and Howard looked smart. So it was no wonder that, just before the Americans stormed in, the three of them had agreed to branch out into another area of the internet—web hosting. Web hosting was making great gains because a web host provided the means by which individuals and businesses could publish their websites on the World Wide Web. In May 1998 OzEmail had paid $2 million for a company called PowerUp, whose subsidiary was called WebCentral. Then the publicly listed mezzanine finance vehicle called FTR Holdings—whose directors included Turnbull (and his wife Lucy Turnbull), Howard and Kennedy—paid $11 million for a majority shareholding in WebCentral in March 2000. By this time PowerUp had become Queensland's biggest ISP and WebCentral the country's biggest manager of websites.

FTR had been founded in 1993 in order to commercialise courtroom recording technology—hence the acronym FTR (for the record). However, as FTR Holdings, the idea was that the parent business should provide banking and corporate services for the web business. At a tense annual meeting of FTR shareholders in April 2000, Mrs Turnbull was treated to an earful of complaints that ranged from the more than 80 per cent collapse in the company's share price to her husband's absence due to his simultaneous chairmanship of Goldman Sachs.

A little over four years later, FTR—which in the interim had lost Kennedy from the board, although not from its register, as he became mired in his own tax troubles with Australian authorities which were later dismissed—bought the remaining

50.6 per cent of WebCentral from the founders for not quite double the initial investment. FTR paid $19.6 million. At that point WebCentral had a 20 per cent share of the web-hosting market in Australia.

It wasn't until the beginning of 2005, little more than six months after FTR Holdings bought out the WebCentral owners (FTR became known as WebCentral), that the game was again on for the triumvirate. The chief executive of the Melbourne web-hosting company, Melbourne IT, Theo Hnarakis approached then FTR chair, Lucy Turnbull, with an offer. After deliberations, it was put to Hnarakis that the deal was not attractive enough to WebCentral shareholders, particularly given that one of the Melbourne IT stipulations was that it took ultimate control of the business from the Turnbulls, Howard and Kennedy.

But a year and a half later, in February 2006, with a rising Melbourne IT share price and a poor profit announcement from WebCentral, which sent its shares tumbling by a quarter, the deal seemed much more attractive. WebCentral shareholders were offered $1.53 a share under the terms of the offer, or about $61 million for the whole company, and this was accepted by the WebCentral board.

Seven years on from their OzEmail triumph, Turnbull, Howard and Kennedy had done it again. Their second technology investment had been sold, this time bolstering the Turnbull family's coffers by about $16 million. Howard realised just over $8 million from his stake, Kennedy $5.5 million and one-time WebCentral board member Neville Wran $4.3 million. Malcolm Turnbull had well and truly made his fortune. But as we shall see, not every entrepreneur was to fare as handsomely as this.

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FOUR

The real deal

In the beginning there was Robert Elz. Reclusive and with no interest in the mighty dollar, Elz programmed computers in the hallowed confines of the University of Melbourne. For a fellow with an enormous reluctance to pursue a public profile he did a fairly public thing.

Elz was responsible for connecting Australia to the internet. Technically, this was how it went: Elz plugged in a cable to a computer at Melbourne University sometime in 1989. This cable connected the Australian institution with NASA in the US through a link with the University of Hawaii. His second job was to administer the registration of domain names—www.dotbombaustralia.com.au, for example—for those individuals savvy enough to know what the World Wide Web was. He registered these domains off his own bat, volunteering his services, driven by the belief that everyone had a right to access this new cyber universe. He had the role of ultimate controller thrust upon him.

But when the process of registering and issuing domain names began to slow because Elz was swamped with work, something had to give.

It was at this point that Melbourne University decided to move the domain-name-registration business across to its commercial arm, where it would provide the basis for a business that would come to be known as Melbourne IT, which first began operations in 1996 helped by a $100,000 grant from the Victorian government. In time it became the core activity of what was to become one of the technology boom's best-performing stocks.

The university's commercial arm, Melbourne Enterprise International, took charge of the goldmine that was Internet Names Worldwide. It was now 1999 and the internet was fast becoming a playground for hot stocks and even hotter money.

All the usual goldminers were involved in the exercise of floating Melbourne IT. Melbourne's blue-blood stock-broking firm JB Were understandably undertook the float for the blue-blood university. Any broker would have killed to get the opportunity to float such a business; in the US a similar company called Network Solutions was taken over by VeriSign in 2000 in a deal worth more than $US2 billion.

And many of those who managed to get their mitts on the much-desired shares were from the same blue-blooded sector of the Melbourne community. The Myer family, of department-store fame, found itself lucky enough to bag a sizeable swag of shares. Rupert Murdoch's Melbourne-based sister, Helen Handbury, appeared on the new register, as did former National Mutual boss-cum-company director Geoff Tomlinson and ANZ's bluest of blue-blood chairmen, Charles Goode.

And let's not forget the JB Were investment companies, which cleverly managed to corner stakes in the Melbourne IT float. Their listed investment company, Australian Foundation Investment Company (AFIC), found itself with one million Melbourne IT shares while two of their other group funds, Djerriwarrh Investments and Australian Media & Communications Investments (Amcil), got 400,000 shares each. The head of one of the country's largest banks, David Morgan of Westpac, and his fellow Sydneysider, Gerry Harvey of the Harvey Norman furniture-flogging business, were also lucky enough to be invited into the ranks of the privileged few.

Of all the technology businesses floating on the Australian Stock Exchange, this one was different. Melbourne IT had the right to register all gTLDs—that is, in plain English, generic top-level domain names (such as those ending in .com, .net and .org). In 1998 it was only one of five organisations in the world registered to do so. Apart from a little privately owned Sydney business called NetRegistry, it held a virtual monopoly in Australia. It had cashflow. It even had profits. As internet fare, this just wasn't kosher!

The university began to cop criticism that it was selling its 85 per cent stake in the company too cheaply to the public. Where were the usual internet-style executives—the ones who could be relied on to thrash the market by demanding high prices for stakes in questionable businesses, or sometimes even stakes in questionable business *ideas*? It seemed that all the university was trying to do was to make up for the imminent cuts in federal government funding—it had no interest in gouging the market.

This wasn't the only criticism levelled at the university. Questions were asked about how the company's policies might

change once it became beholden to shareholders. The reclusive Mr Elz had previously ensured that no generic names were allowed websites. Individuals registering websites also had to prove that they had a legitimate reason for doing so, that they were not simply tying up names in order to flog them at higher prices later on, when a company discovered that the name it wanted had already been reserved.

Indeed, the academics that ran Melbourne IT, headed by Professor Peter Gerrand, had already thought of other ways to capitalise on its domain-name registry business. It began offering companies a website-building package, as well as an email-hosting service.

Melbourne IT's business was growing so fast that, five days before the listing, it had to update its prospectus to include a revised upward forecast—a very unusual, but necessary, move. What had been projected as 12,000 domain-name sales a month in 2000 was now likely to be at least 20,000 in December alone. Not only that, it had also organised for several companies in Europe and the US to begin reselling the domain names it generated, at a discount to the price it received, for a commission. Importantly, one of these commission agents would become a keystone investor, with a 4.9 per cent stake in the company.

But Melbourne IT directors could only revise the number of sales predicted, not its already-generated revenue and pre-tax earnings, even though they noted that operating profits were likely to be larger than those estimated in the prospectus. This was much more like any regular internet company, except that Professor Gerrand believed that providing any kind of revised forecast could well have been misleading, because the business was constantly changing. Was it misleading? It wasn't

a problem that had previously bothered too many of his fellow entrepreneurs in the internet sphere.

As it turned out, the most misleading aspect of the float was the prediction about how well it would go. Come November 1999, the company raised its $110 million from investors and ventured forth into the public shareholders' realm. JB Were couldn't have hoped for a better launch. The shares were sold to a mostly well-heeled, well-connected set of punters at $2.20 each. They hit $8.20 on listing and $9.10 shortly after, before closing later that day at $7.95. It was the second best recorded performance of any newcomer to the Australian Stock Exchange, bettered only by another technology business, Open Telecommunications, which had floated the week before. And, with a market value of $455 million, it was also the country's second largest internet float after Packers' ecorp.

There were other companies that raised the bar even further, making life difficult for the under-achievers and over-promisers. In May 1999 MYOB paved the way for companies with a history of profitability to find their way into public ownership.

MYOB had been founded in 1991, when the internet was in its commercial infancy. Craig Winkler was a software expert and, with accountant Brad Shofer, had come across a clever software product in the US that had been developed by a company called Teleware and a fellow called Christopher Lee in the late 1980s. Winkler and Shofer had been working on a new concept of an accountancy software package, one that offered to make life easier for business. They even had a sense of humour that led them to a catchy name—MYOB stood for

Mind Your Own Business. Their company bought the intellectual property rights for the software, in the process giving Lee a slice of equity in their company, and started to mind their own business.

Their timing was superb. By the time they were ready to capitalise on the general investing public's interest, it was 1999 and the dot.com era was in full swing. They now had a solid business that had functioned well over many years, so it was little surprise that stockbroking firm Ord Minnett jumped at the prospect of floating the company. In fact, Ords was so keen that, once MYOB's customers had been given a priority allocation of shares, the stockbroker ensured nobody except its own clients received shares in the initial public offering.

Here was the traditional course of a stockmarket listing—one that punters had grown unaccustomed to seeing—in which a company establishes its operations, eventually makes money and then, when it needs further capital to expand, it turns to the public stockmarket. On top of this, the stock would be guaranteed to benefit from the technology boom, which was sending any company with a technological bent skywards, and, in the unlikely event that the boom would end, it had its earthbound backup of dividends and, incredibly in this new era, profits.

MYOB was forecasting a profit of $3.7 million on revenue of $37.7 million in the nine months to 31 December 1999 and planned to pay a second-half dividend of 2.5c. It was almost too good to be true. And it was a global player: its revenue stream was diversified geographically with 350,000 users worldwide including 150,000 in Australia. That put it in first place among accountancy software suppliers to small and medium-sized businesses in Australia.

It even had a small slice of blue sky to throw in for investors. After years of trying, by 2000 the Howard government had finally built itself a mandate to impose a Goods and Services Tax on the people of Australia. This would create untold complications in terms of the accountancy needs of small and medium-sized businesses. MYOB offered a software remedy to take those ills away. There were competitors biting at its heels, such as the rival software Quicken, but with its larger market share and hence better resources—including training—MYOB was in an almost unassailable position.

Both Melbourne IT and MYOB may have made the most of the heady market atmosphere but, in a somewhat unusual state of affairs in this expanding dot.com bubble, they were actually thriving and solid businesses.

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FIVE

Creative sparks only

Stripping off to face up to the view of his morbidly obese and naked frame in the full-length mirror did little to relieve Chris O'Hanlon of his burden. It was 2008 and the 54-year-old front man of Spike Networks, the *enfant terrible* of the new web game, was floating between locations—lost.

Three days before, he had been standing on the front lawn of his large home in the oil industry hub of Tulsa, Oklahoma, waiting for a taxi after his wife had asked him to leave. Later that day, he had hit Sunset Boulevard and Hollywood's youth-encrusted Standard Hotel for a night some may have considered to be blissful escapism—one spent on a silver beanbag with a blonde 20-something actress he had once dated, whose most notable film appearance was a bit part as a stripper in a Nicholas Cage movie.

The full-length mirror was in a white and ageing clapboard duplex he had rented in the millionaires' beachside playground

of Sydney's Palm Beach, in which O'Hanlon was enjoying a moment of reflection. He was taking a series of self-portraits for his meticulously maintained ring-bound archive of photographs and letters, which he had kept for more than 40 years as a way of keeping track of himself.

O'Hanlon had drifted back into Sydney just as Spike was about to engage with the world at large—the advertising executive had spent much of his life trying to avoid doing the same. But Spike Networks, one of Australia's leading web designers, was gearing up for a $35 million public float. Up until now, the avant-garde business, to which O'Hanlon had devoted the previous four years of his life, had operated almost as a cult.

Spike had been born inside a banged-up Mitsubishi Pajero four-wheel-drive and delivered with the aid of a mobile telephone; now it was about to be discovered by the wider investing public.

The loot Spike subsequently raised from this burgeoning group of national investors would be put to several good uses. The inside of the Pajero, comfortable as it was, had long outgrown the needs of a business with an international brand strategy. So too the two-bedroom apartment in Sydney's swish Double Bay which had followed it. Therefore, $1 million would be spent fitting out state-of-the-art offices in Australia, Japan, Hong Kong, Singapore and the United States. About $8 million would be thrown at expanding the business from the country's most notable designer of websites to a new media company with its own streaming radio station, SpikeRadio, and its own streaming television network, SpikeCast. Spike, the new media company, was flowing into a structured future but unfortunately, the further it advanced, the faster O'Hanlon's delicate mental state unravelled.

During this time, O'Hanlon had proved both elusive and difficult. Coincidentally, the Double Bay offices had previously been occupied by another tormented businessman, Rene Rivkin. O'Hanlon's big frame occupied a desk chair on castors with his name marked on the back—that is, when he happened to be there. Co-founder Stephen Murphy occupied a matching chair, similarly labelled. Who needed anything more? The only employees who warranted their own space were the members of the design team, who sat with Spike's caring co-founder Ruby Blessing.

Mostly, O'Hanlon's and Murphy's chairs were to be found in the communal kitchen, where pizza was the standard nighttime fare, summoned via a low-tech telephone. O'Hanlon's chair gave him a place to sit and answer his collection of mobile phones while doubling as a podium from which to deliver his rolling sermons to the Spike collective.

The team sat at their personalised workstations, beavering away with all the fervour of members of a new political party. More eye-catching than the sometimes odd collection of personal items in each eclectic workspace were the unusual array of personal grooming proclivities—from mohawks to blue-dyed coiffures. O'Hanlon's chair, like the plane-seats he occupied next to other adrenalin-addicted business travellers, allowed him to fall into his natural state—drifting. He was a natural floater, having spent part of his youth sailing singlehanded across the Atlantic.

In O'Hanlon's view, Spike's reluctance to engage in conventional business practices was to be applauded. As he described

it, Spike was an adventure like those of Malcolm McLaren, the former Sex Pistols manager, fashion innovator and musician. It certainly wasn't a conformist Sydney business, but O'Hanlon was not a conforming kind of guy, stuffed as he was with idiosyncrasies. He suffered intermittent agoraphobia, and hadn't eaten dinner at another person's house for more than two decades. He changed houses like shoes—by the time he was in his fifties he had lived in more than 70 homes, of which he had owned only three.

Chris Creed O'Hanlon, to give him his full name, was the son of the best-selling novelist Morris West (in a show of independence, he rejected his father's surname when he was 26). West was a completely conventional father for the time, handing the responsibility for young Christopher West and his three siblings completely to his wife—and a dozen schools. But the West children had an interesting upbringing. By the time Chris was 12, the West family was living in Italy, in an enclave of eight villas on the road that ran between the Appian Way to Quarto Miglio, four miles from the walls of Rome. Among their neighbours were Peter Sellers and his then girlfriend, Britt Ekland. Film director Franco Zeffirelli was also in residence nearby, as was the divorced second wife of the Shah of Iran, Her Imperial Highness the Princess Soraya, whose swimming pool hosted live penguins. Visitors to the Wests' weekend open houses would often include Gore Vidal, David Niven, Vatican power brokers, ex-Queen Frederica of Greece and members of various super-rich families, including the Vanderbilts, Guggenheims and von Furstenbergs. On occasion it might also include Laurence Olivier wandering around in circles memorising his lines.

O'Hanlon describes his father on such occasions as a gregarious and charming host who liked to preside over his guests.

But to the young boy this was just another example of his father not being available. Lack of availability also came from his father's work—the children were often told by their mother to remain quiet, even if their father wasn't working, because he was always thinking of his work, presumably when he wasn't entertaining movie stars and European royalty.

One morning over breakfast West asked his son if he'd like to come with him to view the 16th-century frescoes on the ceiling of a particular church. Because it was unusual for West to offer his time to his children, O'Hanlon agreed without a second thought. Remarkably, as they were standing in the church, a door left ajar revealed to O'Hanlon the body of the Pope, dressed in pontifical vestments and lying on a wooden litter. All he could see was the top of the Pope's body, which was lit by a warm, almost ethereal, beam of light. But, as Morris West stepped into the dimly lit chapel, the dead Pope boomed: 'Morris, how are you?' The Pope was also a movie star—Anthony Quinn—and O'Hanlon had just stepped unwittingly into the filming of West's most successful novel, *The Shoes of the Fisherman*.

As it turned out, it was to be this novel that was to take his father away from him, as Morris West's fame grew even greater. At this time O'Hanlon was sent to board at a convent school in the New South Wales countryside. He was entitled to one visit a month from his parents, but it was often his grandmother who would arrive—with his parents in her handbag by way of magazine clippings. Other news of his parents he got alongside his schoolmates—from the black-and-white Movietone newsreels that preceded the main film during Saturday night film screenings.

O'Hanlon's teen years brought him into contact with a diverse range of people and experiences. At the age of 14, he returned to

Europe to attend the St George International School in Rome, but this did not work out very well. He departed and started a three-year-apprenticeship with the film-score composer, Bill Conti. At the age of 18 he moved on to work briefly with George Martin—the legendary Beatles producer—on the soundtrack for the James Bond film, *Live and Let Die*. By 19 he took up the position of musical director for avant-garde productions and revues at the Upstairs Theatre at the Royal Court, in London's Chelsea.

Having left the musical world behind, by the mid-1990s O'Hanlon was working for the Japanese car manufacturer Honda, where he and Blessing produced one of the first glossy magazines in the car industry. Later, after they formed Spike in 1995, they got the gig to build Toyota Australia's first website. They convinced the head of the Japanese car manufacturer in Australia, John Conomos, to pay the unprecedented sum of $3000 for this web design project. From there, Spike added the art-auction house Sotheby's Australian branch and the Museum of Contemporary Art in Sydney to its list of clients. Eventually that list would include the Art Gallery of New South Wales as well as art museums in Chicago and San Diego.

In its first year, Spike's client list grew to 60 and the company moved from the Pajero into the ageing two-bedroom apartment—with views over a car park behind a Woolworths supermarket—in Double Bay. Sydney start-ups at this time, particularly those that operated in the sphere of communications and technology, were more frequently attracted to the ugly, purpose-built high-rise office buildings that had sprung up in the northern Sydney suburb of St Leonards. O'Hanlon's contribution to the landscaping of the car park was a Spike computer, which, in characteristic form, he had hurled out one day from the apartment office window.

O'Hanlon was a self-proclaimed ideas man, but at least he knew he had to hire someone else to do the hard sell. This person was Stephen Murphy. O'Hanlon complimentarily described Murphy as a natural salesman, which is why they struck a deal whereby Murphy would take 25 per cent of profits in those first years. His job was to get a foot in the door. Once inside, O'Hanlon would do the talking, a skill in which he excelled as much as wielding the *Star Wars* lightsaber he had picked up from Toyworld. They paid their partner, designer Ruby Blessing, a salary without benefits such as lightsabers. But the two men would live off a share of the profits—if ever those eventuated.

By its second year of operation, Spike had doubled its client list to 120 and its revenues were approaching $3 million, and was attracting widespread public attention for its meteoric rise and obvious candidacy for a stock-exchange listing. But if Spike had been a traditional advertising company at this point, rather than an unconventional, high-tech dot.com, it would have been considered a smallish firm doing bread-and-butter work and never have caused a blip on anyone's radar.

O'Hanlon's idiosyncrasies were mirrored in Spike's corporate culture. Spike had begun its corporate life with no telephone-book listing and, surprisingly given its core business, not even a website. O'Hanlon felt that Spike's lack of a website was an example of the cult, almost underground-style culture in which it dwelt. But in the end a swelling bulk of clients forced the issue. When O'Hanlon and Blessing grudgingly succumbed to Murphy's prodding to grant Spike a website, the outcome was more than clever but hardly a technological feat. 'It's not fuckin' rocket science,' blurted the slogan on Spike's single-page site. More like a study in behavioural science really.

But as thrilling a cultural proposition as Spike Networks was with its unusual management strategies, being at the cutting edge of a new technological age was, financially, not quite as attractive. The fundamentals outlined in the Spike prospectus, which was made public in mid-1999, did not win universal plaudits. Its greatest fans dwelt in those corners of the market where the spotlight on their glossy ideas was so bright as to eliminate all peripheral vision and which blinded them to the predicted losses that were expected in Spike's first year of playing the bourse—about $4.7 million of them.

From the outset, fulfilling the normal requirements of company operations had tested Spike's founders. Paying employees' superannuation on time was among its regular challenges. Part of the logic in inviting Sydney lawyer turned corporate dealmaker John McGuigan and his business partner John Atkinson into the elite group of Spike shareholders was to bring rigour to those traditional challenges.

It had been April 1998 when McGuigan first witnessed O'Hanlon's personal brand of dot.com evangelism. At that point O'Hanlon was still trying to get Spike off the ground by ensuring that he maintained a public profile, giving speeches and writing newspaper journalism—he wrote a regular column for the *Australian Financial Review* and the occasional article for the *Sydney Morning Herald*. That Friday morning O'Hanlon lifted himself to his feet in the cavernous Great Hall of Parliament House in Canberra. He told the congregation a hypothetical story of a car salesman who sold his cars over the internet—making the bricks and mortar car-yard redundant. The point he was making was that things end—the internet would come to change the way businesses ran.

Presumably it wasn't the prospect of a new way of selling cars that impressed McGuigan. In September, his company, Hunter Bay Partners, bought advertising agency Clemenger's quarter share in Spike. McGuigan and his partner in Hunter Bay, John Atkinson, could see the possibilities of floating a company like Spike. The dot.com phenomenon was just beginning to hit stockmarkets around the world. They could see—and no doubt, smell—an exit strategy for their investment and a stockmarket listing promised just that. That would be a bonus enough. Not only did they take a stake, but they also took directorships of Spike.

They couldn't have been more different to O'Hanlon. They saw Spike's investment potential and they worked to bring its inspirational leader around to seeing it too. Luckily they had a willing disciple. Later O'Hanlon confessed that greed had seduced him—on that count he was no Robinson Crusoe. Certainly O'Hanlon and his co-founders ended up with a hefty stake. O'Hanlon, who had provided the initial start-up capital of $50,000 (thanks to an investment by his father), came out of the float with a little less than 26 per cent of the company—25.5 million shares, which he owned jointly with his wife. Co-founders Ruby Blessing and Stephen Murphy received 600,000 and 500,000 shares respectively, out of a total share base of 100 million shares. In other words, Blessing got just over half of one per cent of the company's share capital and Murphy exactly half.

The first element in the Johns'—McGuigan and Atkinson—strategy was to bring Spike into the mainstream by attracting investment. An important part of the float process was hiring the somewhat appropriately monikered Tim Mainprize to look after the financial aspects of the business. Mainprize's great claim to fame was that he had previously worked for the failed

insurer FAI. He is fondly remembered as a straight-shooting kind of fellow who gave an excellent performance when giving evidence at the Royal Commission into the collapse of HIH (who bought FAI). His superb skills of repetition were on display when responding to questions—he had more 'don't recalls' than, perhaps, any other witness. At Spike, his role was to take on the responsibility of running the day-to-day operations, hand-in-hand with O'Hanlon.

O'Hanlon's job was to continue thrilling audiences. The only difference now was that the audiences were a little bigger. Spike held a press conference announcing its intention to float the company. This initial public outing won O'Hanlon a personal warning from the watchdog the Australian Securities and Investments Commission, as he had made such bold predictions for Spike's success. But he wasn't to be deterred. He had a brilliant but simple solution: 'I have been told by ASIC that I shouldn't say this company is going to be bigger than News one day.' There was nothing like the truth to get a share price moving.

O'Hanlon was worth having around just to produce one-liners to satisfy the voracious appetites of investors and the media. Perhaps remembering his time spent with the Beatles' producer, he once claimed that 'the internet will be more important than God.' Later he suggested that he was happy to say pretty much 'anything' if it helped Spike's cause. Dancing around the Spike offices with lightsabers was a joyful sideline to the business. What wasn't so pleasurable was O'Hanlon's increasingly off-key behaviour—he was brutally outspoken to staff, and could be a bully. In affairs of the heart his liaisons were worthy of a soap opera, insofar as they would have been too complicated to be believable.

While O'Hanlon and his partners may have needed some help in the administration of their business, in contrast, building an alternative corporate culture had proved relatively simple. A visit from their potential top-drawer corporate client, the Commonwealth Bank, was a case in point. Minions from the bank had called to book a suitable time. Word had got back to the bank's CBD headquarters that the handover from the day to the night shift was the best time to visit Spike's nerve centre, but what lay in store for them was an atmosphere of carefully cultivated anarchy. Issuing staff t-shirts with the slogan 'I'm Spike, You're Not' may have had something to do with refining a culture of disrespect. 'The rapid evolution of the web, particularly in the last years of the twentieth century, was, in part, driven by the scant regard many technology designers and developers had for anything proprietary,' O'Hanlon explained seriously in one of his many essays. 'Connection to the net was soon so intuitive and ubiquitous—as well as being mobile, wireless and compact—that it became the basic platform for nearly everything: more than just a "medium of communication", or of information, transaction and entertainment, it was the foundation of a new economic, social and political order.'

Spike's growing band of employees—with their healthy levels of disrespect instilled in them by the founders themselves—were, like O'Hanlon, mostly drawn from the arts rather than from technology or advertising. But without a telephone number prospective employees had to get a job interview through the grapevine. Conforming to business stereotypes was frowned upon. There was a policy of no overtime, no weekends and no public holidays. Instead, workers were entitled to 10 days off each month. Responsibility was handed to employees

to negotiate how they could arrange their holidays so that work continued unabated.

Spike was a way of life. The office operated around the clock. O'Hanlon and his partners fuelled the connections. New inductees into the Spike workers' cult were put on the night shift first. This was more to inculcate them in the culture than to test their abilities to work under shift conditions. The surroundings may have been unusual, but it couldn't be called hardship. The fridge was stocked with beer and in the dark hours the odd joint was pulled out to stir minds and creativity in the office semi-darkness.

Management techniques, in the hands of O'Hanlon, varied between inspiring and bullying. Presumably the nicknames he earned himself—Darth Denim, Mr Scary and Mr Caps Lock (for the irate splurges he wrote in capital type on email)—weren't given because of his soft touch. Verbal biffo was encouraged. Monthly Friday lunches, at a Double Bay Greek restaurant, were occasions to verbalise grievances. And O'Hanlon was his own harshest critic.

But then again, O'Hanlon wasn't convinced he had ever wanted a gig running a publicly listed company and the accompanying responsibilities for shareholders. Quite a lot of the time he wasn't even convinced he wanted responsibility for himself. By his own admission he was an impossibly difficult individual to work with.

The Spike float in July 1999 was celebrated at a restaurant in Sydney's Darling Harbour. McGuigan had brought with him an array of investors, but O'Hanlon sat away from the crowd, down by the water, wondering through tears what he was doing there.

Among the investors who felt comfortable to be on board

were James Packer and the co-members of his so-called One.Tel club—Rodney Adler, Brad Cooper, Jodee Rich and Peter O'Connell. Sydney stockbroker Brent Potts had set himself up by taking early stakes in Spike through a convertible note which promised to save investors 25 per cent off the float price. Then there were later entrants, like Melbourne's Pratt family with its 2 per cent stake. Other McGuigan contacts also got priority—RAMS mortgage business founder, John Kinghorn; bicycle components manufacturer White Industries' boss and horse-flesh fancier, Geoff White; and some of McGuigan's fellow legals, such as barrister Frank McAlary. Leveraging the dot.com possibilities was one-time cult Sydney DJ, Jackie Au Yeung, who was now providing financial consulting services to Australian internet company LibertyOne, and who had managed to elicit an allocation of half a million shares, worth a cool $725,000 at their issue price. After LibertyOne's ecstatic float experience in 1998, Au Yeung knew the possibilities of a Spike listing.

Soon after this glittering event, O'Hanlon fell out with his original partners in Spike, Ruby Blessing and Stephen Murphy. In the month after Spike floated Blessing told the board she wanted to leave. That decision was made public another month later, in September 1999. In a statement she blamed a six-week-long illness, but she and Murphy had both been conspicuously absent from the group of shareholders who had managed to get themselves large licks of Spike stock. Even though, Blessing had been inducted into the Businesswoman's Hall of Fame and lauded as being the person responsible for the creation of the largest number of websites. Blessing officially left the company in November, followed by Murphy the next month.

O'Hanlon himself was unwell. Though he should have left the company to confront, and then recover from, his mental illness, he stayed as the walls fell down around Spike and around his own mind. His 10-year-long marriage to Given Rozell—they had three children together—took an even greater beating. In October 1999 his father died.

By the following March, Spike's performance was drifting downwards. John McGuigan had stepped up from his chairman's role into the job of running the company on a day-to-day basis. He needed to do something to placate investors after the release of a worse-than-predicted result on 8 March. The company's net loss in the first half of the financial year was $3.5 million more than the prospectus prediction of $12.8 million. Revenue was $1.3 million lower than predicted at $7.3 million.

Not only were McGuigan and his board trying to placate faithful investors, McGuigan was also making known his desire to build on Spike's regional relationships with Hong Kong firm Pacific Century Cyberworks and the global accounting firm Arthur Andersen. Unfortunately for McGuigan, he'd pinned his hopes, like many business people at the time, on the wrong companies. Arthur Andersen foundered in the wake of the technology boom and Cyberworks turned out to be built solely on the volatile reputation of its 30-something boss, Richard Li, or perhaps that of his father, Hong Kong's 'Superman', Li Ka-shing.

Meanwhile, O'Hanlon's personal life was advancing in the same direction as his career. Stephanie Segrakis was a concierge at Los Angeles' Mondrian Hotel when she met O'Hanlon. With that job sparkling on her resume, she became the office manager for Spike's LA office, where O'Hanlon spent most of his time after saying goodbye to the chief executive position and being replaced by the chairman McGuigan.

Segrakis became O'Hanlon's live-in lover. They rented a house in Benedict Canyon, near Mulholland Drive and its movie-star occupants. Like most of the women in O'Hanlon's past, she was dissatisfied with his level of commitment. The Benedict Canyon bungalow was deficient in furniture and most of the time it was lacking O'Hanlon as well—he never really moved in. So she left, taking what little furniture there was, and a cheque from Spike which she had signed to the tune of more than $50,000. She moved to Utah and O'Hanlon was left to foot the bill and to explain to the Spike board back in Australia where the company's money—and its LA office manager—had gone.

A little later O'Hanlon was sitting in the ground floor diner of the Standard Hotel on Sunset Boulevard when an attractive 26-year-old woman slid over to his table and asked him if he was hiding out. It was his latest girlfriend, whom he had met at the filming of a television commercial several months earlier and who had been trying—along with the people in the Spike office—to find out where O'Hanlon was. She was also trying to get a break in Hollywood as an actress while supporting her five-year-old son. She'd seen the highs and lows of Tinseltown—from a marriage to a hip-hop artist's manager with the requisite Black American Express Card and shopping expeditions to Rodeo Drive to the other end of the spectrum: agreeing to spend a night with a girlfriend and her favourite male 'friend' in return for $US1000. O'Hanlon and his girlfriend spent their days in the rented bungalow he had once shared with Segrakis, where he'd replaced the missing bed with a Shaker-style equivalent.

This was a low point for O'Hanlon. But he had been doing the limbo for months. He had now resigned from Spike, despite

recommendations from one of the directors, Larry Molz, who believed his departure was likely to have a deleterious effect on the company's share price. That observation may have been a tad myopic—there were a few other factors affecting Spike's share price, like the small matter of a global meltdown of technology stocks.

In the end, O'Hanlon's resignation was only a minor consideration. Although his estranged wife, Given, stepped into the fray and saw that he was admitted to the Oklahoma state psychiatric facility, the implosion in his mind would have little real effect on the fate of the fruit of his genius, Spike, which was pretty much a goner anyway.

The brave new world of the web was suddenly no longer a place any banker or investor wanted to be. April 2000, a *mensis horribilis* for the internet, was actually a watershed for O'Hanlon. He had left Spike, as he later expressed, with relief. At its height, his shares had been worth close to $100 million; now they were worth little more than $26 million.

John McGuigan and his partner in Hunter Bay, John Atkinson, had their funds and reputations to uphold, and they put in every effort to save the company. At the peak of its share price—$3.80 on 1 March 2000—the two Johns were worth $42 million in Spike stock. Its businesses were now—post dot. bomb—to be sold off as chaotically as they had been founded.

Spike Ltd, the web-development arm and the bedrock on which the entire e-extravaganza had been founded, foundered completely. By May, Spike was forced to announce that it would not be meeting its promise to have its radio division, which played dance music over the internet, break even by June and would be implementing what it called 'extensive downsizing', which was a not-so-polite way of saying that it was sacking most

of its staff—make that sacking *everyone*, bar four people. This left the company with no creative or production staff—which presumably made it impossible to produce radio. And even if it had been possible, it no longer had any technical or systems-support staff.

With perfect circularity, the company that had been responsible for giving Spike its first break drove the final nail into its coffin. Toyota pulled its advertising from SpikeRadio, which was eventually sold to an Asian music concern called Gogo, run by former lawyer and BMG music executive David Loiterton. In July 2002 Spike shares were suspended and two weeks later a liquidator was appointed.

Having rejected his father's surname at the age of 26, Chris O'Hanlon became the name he favoured during the dot.com years. A decade later, anyone who was close to O'Hanlon had turned to calling him Creed. Those who called him Chris were throwbacks to the long-lost glories of the dot.com era.

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SIX

Peakhour rush

David Harrington was an impeccably, albeit smart casually, dressed executive. But if you walked to his office in Sydney's illustrious Kings Cross you had to pass an array of startlingly dressed individuals, from the transvestites sporting mini-skirts and trowelled-on makeup to the homeless in their stained denims and matted hair. This first assault on the senses was quickly followed by the impact of the lurid green of the Peakhour corporate colours on entering its offices in William Street's über-cool Olivetti building.

Harrington was one of a multitude of employees of the management-consulting cult company McKinsey who had since jumped onto the internet concept. Others included Evan Thornley, who had made his mark in Silicon Valley with LookSmart. There was Jeremy Phillips, who went on to help run Kerry Packer's ecorp, and his fellow ecorp executive, Christa Davies. Then there was Alison Deans, who ran eBay

Australia and New Zealand, not to mention Nigel Dews, the head of the John Fairfax group's internet business that went by the name F2.

Harrington had decided back in 1998, just as the internet was proving to be the place to be after a two-year stint with online content publisher ninemsn, that the kind of business he needed to be in was ASPs, or application service providers. In other words, Peakhour wanted to be the business that provided all internet services to small and medium-sized companies. If you wanted your own website and your own email address, Peakhour could provide it. It could manage all your data from its headquarters, which meant you could run a company with all the computer whizzery you needed without having to have a computer staff the size of a small army. And it also meant you could run it without having to take an advanced degree in computer science to get the whizzery to work.

The idea of being a one-stop-shop for companies entering cyberspace had worked elsewhere. Investors on the NASDAQ market had thrown cash at a similar offering going by the name of Niku—it was one of the first such one-stop-shops and it had easily raised $US28 million.

Given the climate, it was not surprising that there were a few other companies jogging about with exactly the same idea. But Harrington was of that peculiar breed of businessman, the management consultant. He'd practised as a lawyer, he'd worked for the US giant Microsoft, he'd run e-commerce at ninemsn. He'd even written a book on the future of the internet—*The Clever Country? Australia's Digital Future*—penned jointly with his fellow former Microsoft baby, Daniel Petre. Now, in their very distinctive styles, Harrington and Petre were testing the waters for exactly what the country's digital future could be.

Harrington liked mentioning the fact that the company he ran was private. There was no obligation on Harrington's part to disclose to the nosy media whether he was meeting his budgets, making profits, or floundering around in a cashflow-less mess. Then again, in a heady time like the dot.com boom—which few properly understood, least of all investors—numbers were moot.

Like any self-respecting McKinsey alumnus, Harrington exuded a surfeit of professionalism combined with a sufficiently serious intent to enable him to raise serious money from a range of serious investors. Throwing cash at the company Harrington named Peakhour were just the kind of names a business would give its Pentium II processors to have backing it from the ground up. There was Melbourne's Smorgon family, Sydney property owner and lawyer John Landerer, and the former Westpac executive David Fite. For all intents and purposes, the register of Peakhour looked like a high-class array of investors with money on its mind. Investors had paid $1.26 per Peakhour share for the pleasure of driving in the fast lane.

Harrington was impeccably connected—a regular member of a trail-biking gang which managed to find time once a year to hit the dirt somewhere in the Australian bush. Gang members included the likes of executive Jeff David, billboard king Pierce Cody, fellow McKinsey-ite Michael Rennie and, of course, Cameron O'Reilly, the local scion of the Irish mega-media mogul, Tony O'Reilly. With a little help from his friends, Harrington raised an initial $8 million with his swanky business plan and Peakhour was away.

Before long Harrington had built up a staff of a hundred, and it wasn't long after that before Harrington was back on the

beat raising more cash for the thirsty Peakhour business. This time he reeled in a big one.

The special business plan worked again, this time drawing in Glenn Barnes, the head of the National Australia Bank's digital arm, O2-e, who took a seat on the Peakhour board after the bank contributed $12 million to the $40-million raising in September 2000. Harrington also snagged the digital arm of Tony O'Reilly's APN News & Media, which injected a lick of capital.

Vital to Peakhour's expansion plans in Asia was the addition of Hong Kong's Telecom Venture Group to the company's shareholder register. At the same time Harrington was negotiating a move into internet advertising. Peakhour bought Australian Banner Exchange, an online advertising outfit, paying cash for the privilege. Three months later, in December, Harrington was outlining plans to turn the business into a global services company.

But all the coloured pie charts and spreadsheets in the world couldn't hide the fact that the business of flogging services to small to medium-sized companies was a slightly overcrowded playing field. In its first 14 months in business, Peakhour was suitably low-key. The revenue it had brought in was a minuscule $35,053.

Sadly, its costs were much larger. They amounted to a mammoth $15.1 million. The bubble that had been carrying these technology companies aloft with enormous valuations had now burst. 'With thy sharp teeth this knot intrinsicate' was Cleopatra's immortal request to the asp that Shakespeare had her holding to her breast. These modern day ASPs, as it turned out, were almost as poisonous.

One of the greatest problems Peakhour faced was a plethora of clever, successful workers functioning with not enough

direction. Harrington had many strengths, including being extremely good at hiring the best staff, but according to some of those staff, his weakness lay in not providing the amount of structure and vision the staff needed to become a team. Some of the executives felt they were being under-utilised. And in spite of the fact that he had worked out by boxing, Harrington was seen not to be one for confrontation, which led some staffers to feel there were a few issues that ought to have been debated but were not.

Less than a year after he joined the Peakhour board, NAB's Glenn Barnes had other more important matters on his mind—which probably included looking after his own job. So Barnes dived off the Peakhour board table, to be followed a month later by the chief executive of APN, Vincent Crowley.

By September 2001 Harrington appeared to have slightly recalibrated his expectations and vowed that the company would try and reach break-even by the following June. But Peakhour had slowed to a crawl, and he had been forced to halve the staff to 50. In what he admitted were 'terrifying circumstances', Harrington had his back against the wall as the company's losses continued and profits proved elusive. He did, however, manage to attract a further $6 million in a tough environment, via a preference share deal priced at 51c (compared to the $1.26 investors had paid initially). The prospectus for the further raising contained all the information needed to understand the fate of the company. 'The real issue in valuing young businesses, such as a combined Peakhour and 90 East,' it pontificated, 'is not that they lose money, have no history or do not have substantial tangible assets. It is that they are far earlier in their life cycles than established businesses and, in the case of a combined Peakhour and 90 East, have to be valued before

they have an established proven market for their products and services.'

It was a unique sales pitch for raising much-needed capital: there's really nothing quite like a company that loses money, has no history and doesn't have any tangible assets. With those credentials, it ought to have floated on the stock exchange years earlier. Harrington eventually went back to the side of the do-gooders, being a consultant in the investment banking industry before moving into the 'frank and fearless' world of an independently owned corporate advisory.

SEVEN

Big bet

It was not always necessary in the late 1990s in Australia to be under the age of 25 in order to be labelled an internet mogul—but it helped. However, there were those over-50s who were exceptionally talented and could manage it as well. One such 50-something, Graham Bristow, knew instinctively the credentials needed for inclusion in the Sydney tycoons' A-list.

To start with, there was his company: LibertyOne. It had been the first internet company listed in Australia and it had a US partner with one of the best-known names in the business—Excite. Also he boasted various celebrity associates, like golfer Greg Norman and Wimbledon champion Pat Rafter.

Then there was his property. Paradis Sur Mer, his six-bedroom contemporary waterfront mansion on the northernmost point of exclusive Point Piper, came complete with a history. It had once attracted the highest ever price for a Sydney property when Australian socialite Susan Renouf's

third husband, Sir Frank 'The Bank' Renouf, bought it from her second husband, Robert Sangster. Bristow's outlay wasn't small either. He paid $8.5 million for the block at what turned out to be a slightly inauspicious moment—March 2000.

Bristow was also a budding restaurateur with fingers in every pie, as well as a guaranteed seat at the best tables. For his planned noshery at the Elizabeth Bay Marina (an obligatory boat-ride away) he had chosen an adequately important business partner—stockbroker Rene Rivkin, who conveniently lived just around the corner from him at Craig-y-Mor on Wolseley Road. To top it all off, Bristow was skilled in one of the favoured pastimes of the too-rich: the punt. He had once famously won $100,000 from a bet on the rugby league team Melbourne Storm.

Perhaps Bristow's fatal flaw was that he was too generous. 'People should share in the success of a company. That doesn't work when greed is involved,' he later mused as he contemplated LibertyOne. But in Bristow's view the collapse of his internet dream (LibertyOne), not to mention his lifestyle (he had been forced to sell Paradis Sur Mer for $250,000 less than he paid, moments after he had bought it), was not because of a burst stockmarket bubble, but because of the wrong choice of personnel. Bristow was universally regarded as a nice bloke who genuinely wanted to see everyone involved in his commercial dream meet success. And for a while it had looked as though luck was running Bristow's way.

His corporate history suggested that Graham Bristow was just the kind of fellow who might be able to flourish in an internet boom. Originally an accountant from New Zealand, he had moved into computer wholesaling and then telecommunications supply. When the owner of that business died, he and

his business partner, Richard Darsarno, bought the business and rebadged it as Comtel Technologies. That was 1993. Within three years they had bought the assets of a failed telecommunications group, Exicom, and found a suitable shell, in the form of Melbourne wool-scouring business Henry B. Smith. Through the $5.8 million takeover of Smith, Comtel found itself in control of a public company that was rebadged Omni. When the partners fell out not long afterwards, Comtel stayed in Bristow's hands and in 1997 the newly minted corporate deal-doer set off on his next journey.

Very soon Bristow linked up with the blue-blooded, tech-savvy executive Sean Neylon, who was struggling to put together an electronic library cum web design company under the umbrella of John B. Fairfax's Rural Press. Neylon's good friend was a fellow overactive businessman, the Sydney DJ turned financial consultant, Jackie Au Yeung, who these days was running dance parties through his Sydney event company FUN. Au Yeung may have spent much time at rave parties and nurtured a gambling streak in business, but he certainly knew how to get a deal done. The corporate structure of this new internet-styled vehicle came about through a merger of Bristow's Comtel Technologies with John B. Fairfax's Magnet Internet Connections (Sean Neylon's rebranded company) and their assets were floated as LibertyOne in 1998. For his role in this Graham Bristow received an attractive package of $3.4 million in LibertyOne shares, although they were placed in escrow.

Giving the new company the spice it needed in such boom times was a joint venture with Excite. This had sprouted out of a six-month period of negotiation with a fellow called Rick Redding from the US search engine. Along with Netscape,

Yahoo and Lycos, Excite was one of the so-called Web 1.0 (the first stage of web development) portals. In 1998 it was one of the most recognised brands on the internet.

Depending on whose version of events you choose to accept, LibertyOne's success in smooching with such a sexy partner may have been either a stroke of good luck—or little more than a fluke. According to a story later told, when executives of Excite were looking for a partner in Asia, they were tipped off that they should head for John Fairfax. A meeting was therefore arranged in Sydney and duly took place on a boat on the harbour. The Excite executives weren't hard to convince, but it was only later that they realised that they'd got the wrong John Fairfax. If they'd followed the advice they had received more carefully, they would have paired up with John Fairfax Holdings, later Fairfax Media, Australia's premier independent media company. Instead they had gone into business with the fellow who ran Australia's premier rural media company, John B. Fairfax—a lovely fellow, but not quite the premier newspaper company that had been suggested. (He was later to, albeit temporarily, control Fairfax after it merged with his Rural Press group.)

For his part, Bristow reckons this was a story made up to explain away the headache that LibertyOne ultimately became for its US partner. Meanwhile, Bristow's graphic designer son was dating the head of Excite's product development and strategy, Amy Smith.

LibertyOne listed on the Australian Stock Exchange in December 1998 to an audience bursting with anticipation. Share investors who had paid $2 at the float suddenly found their shares worth $5. The prospectus was full of profit expectations, including a $9.2 million profit forecast in 2000. Bristow, with

his 16.9 per cent stake, and John B. Fairfax, with his 12 per cent stake held through his family company Marinya, were rolling in it. Jackie Au Yeung had also done well from his decision to link up with Bristow. Apart from a consulting agreement with LibertyOne, to be paid on an hourly basis, he also walked away with a handsome $400,000 success fee from the listing.

In early 1999, not long after listing, Bristow put in place two new executives. He hired Don Hagans, who had been working at Optus' pay-TV business, and Hagans' wife, Jane McKellar. He also hired the bright, young and eccentric former lawyer, Warren Lee.

Hagans and the LibertyOne board fell into conflict right away. Hagans demanded further rewards for his involvement in getting the Excite deal up and running and another deal that was in train—one to take over the high-profile web design group, Zivo. Accused of empire building by the company's board, Hagans was handed $2.15 million and asked to leave. It wasn't a bad kiss-off for just four months' work. But there was a problem. LibertyOne's share price promptly began to fall so markedly that in May 1999 it prompted a 'please explain' from the Australian Stock Exchange. In its response LibertyOne said: 'The board also notes that much of the speculation and rumour about the LibertyOne business has coincided with his [Hagan's] departure.'

Lee stuck around—for another few months. But then he too decided to depart after a much-touted deal with Hong Kong language portal, China.com, fell over. Apart from the Asia-Pacific licence to run Excite, LibertyOne ultimately bought one third of Zivo in October 1998, wrapping up full ownership in October 2000. It also owned the Pat Rafter and Greg Norman websites, for which it paid the former tennis

and golf superstars an annual fee. It threw staff and cash at building the Rafter site in particular—people were rounded up and plonked on a plane.

Watching Bristow's rise and rise from the background was a fellow called Frank Kristan. Originally a Perth schoolteacher, Kristan had gone to New York to teach in a Christian school and ended up marrying into an investment-banking dynasty and getting a start in financial markets at Citibank. An SEC filing from one of his companies said he was the boss of Kristan Associations, a 'financial consulting firm providing business advisory services for the telecommunications and financial services industries'. One of his companies was CyberSentry, a business that specialised in cordoning off areas of the internet from children.

In 1998 Kristan was in the middle of a restructure, after merging with a bankrupt US telecommunications company, when he struck a deal with LibertyOne's telecommunications arm. That arm was developing a state-of-the-art ATM (asynchronous transfer mode) system—basically a telecommunications networking system—that had been developed by Telstra but then sold. In exchange for allowing Kristan rights in this system, LibertyOne ended up with two million shares in CyberSentry, as John Davidson pointed out in the *Australian Financial Review*.

This interest in Kristan's company, whose earnings were estimated to be $6.3 million by 2000, was the meat in LibertyOne's float prospectus. The fact that it was a US company at a time when US technology stocks were booming didn't hurt. CyberSentry claimed revenue of $5 million, which was a happy set of circumstances for LibertyOne, whose total revenue for this period was $5.4 million, most of which came from CyberSentry.

And it was quid pro quo; not only was CyberSentry LibertyOne's customer for its ATM technology, one of Cyber-Sentry's arms was a digital rights-management software business whose customer was a Delaware company whose head office address was LibertyOne's Sydney office. Kristan had the further great good fortune of being paid a monthly $US10,000 retainer before the LibertyOne float.

At the same time that CyberSentry and LibertyOne were in business together, a venture-capital fund that Kristan worked in, MaraFund, was put to the inconvenience of a $US11 million class action, in which Kristan and others were accused of fraud, not to mention racketeering, in connection with the sale of unregistered stocks and bonds. The action was settled. Perhaps Kristan was just the victim of over-enthusiasm. He had made a great deal of CyberSentry's relationship with the giant toy company, Mattel, which in spite of his high hopes turned out to be little more than a plaything.

LibertyOne shares ran up slightly in May 1999 on news that it had bought some shares in China.com. In turn, China.com had bought shares in LibertyOne and had listed in the US. LibertyOne's share price flattened out for a few months and then spiked late in August when rumours came fast and furious from the stockmarket that China.com was preparing to bid for LibertyOne. By September the Australian company was doing more deals than you could poke a stick at. There was the deal to buy a quarter share in Hong Kong online book and DVD seller, Chinese Books Cyberstore, as well as another to take 75 per cent of Hong Kong web developer, Net Power, not forgetting another Hong Kong deal in the same week, to take a small sliver of an online property company, HT Hypernet.

It was during this wonderful time for the LibertyOne share price that Jackie Au Yeung sold most of his stock in the company, but there was yet more excitement to be generated from its share price performance. By October 1999 its shares were at the $2 mark; they had earlier been subject to a four-for-one share split so, in other words, a share that had been effectively bought for 50c in the float was now trading at $2. Boutique corporate advisory KTM Capital—named after its executives Keith Kerridge, Chris Trumbull and Todd McGrouther—published its own report saying LibertyOne was worth as much as $3.60. Gossip flowed through the market that US investment company Lehman Brothers had valued the company at $8 if it was to be listed on the NASDAQ. At this point LibertyOne was attracting not only the attention of enthusiastic shareholders but also of the regulators. It received three speeding tickets—'please explain' notices—from the ASX due to its surging share price, one each in September, October and November.

Lee snuck away to the New South Wales south coast and later took up on the other side of the fence as a corporate advisor at Grant Thornton, Ross Grant's boutique merchant bank and well-known independent expert reporting house, after only six months in the job. With executives falling down around him like flies, in November 1999 Bristow was suddenly back in the driver's seat. The stockmarket liked that news. With LibertyOne leaking money almost as effortlessly as it leaked information, a back-in-control Bristow went to the US, where he quickly raised $8.4 million from Lehman Brothers.

As LibertyOne's share price soared, and with the watchdogs at the stock exchange and securities commission on high alert, the company put out a statement. It said merger discussions

were on, but in true LibertyOne style, gave no more information. Then the China.com deal fell over in early November 1999. The company had never publicly acknowledged that the deal it was negotiating was with China.com, but the market seemed to know what it was up to. Later it emerged that the negotiations with the Chinese had been difficult during the time LibertyOne's share price was going up and up on the deal rumours.

Every attempt Bristow made to list on the NASDAQ failed at the final hurdle, but in July 2000 a deal arose. If it was real—as had to be questioned, given LibertyOne's past style—it would prove to be the company's salvation. The alternative was not to be contemplated. Frank Kristan and CyberSentry suddenly jumped into the breach with some much-needed assistance. CyberSentry was behind a scrip offer on 19 July 2000, valuing LibertyOne at 30c a share.

But, unlike some of their other schemes, Frank Kristan never delivered on the $130 million deal that had arrived via fax in the middle of the night. He withdrew the offer three weeks later, never having produced an official document. Bristow said Kristan approached him out of the blue. It was history repeating itself—this was yet another arm's length deal between Bristow and Kristan for LibertyOne. The new proposal involved LibertyOne backing its assets into Kristan's CyberSentry and then pursuing a NASDAQ listing for the merged group. The LibertyOne board rejected the deal on the basis that it was too messy, which at least was one tick for the company directors of corporate Australia.

It was hard to believe any company at all was interested in LibertyOne, which had failed miserably to deliver to investors. In the first half of 1999 the company was in the red to the tune

of $7.1 million, even though its prospectus in December 1998 had forecast a profit of $1.43 million. But $7.1 million was just the beginning—by the end of 1999 its losses had blown out to $35.6 million. Revenue for 1999 was a full $10 million under prospectus promises.

Zivo, the web site designer LibertyOne had bought into in 1999, was pegged as one of the two possible remaining saviours of the business. But then its staff numbers were slashed. One of its founders, a fellow called Tim Burgess, was given the job of running Excite's business in Asia after the sudden departure of Jane McKellar, wife of Don Hagans. Finally, a deal Bristow had been trying to get up with the US internet company Qixel Capital Group fell over. That deal would have delivered to LibertyOne control of Qixel's New Zealand web-development business, Advantage Web Services. If that had been achieved, it could have merged the business with its existing New Zealand web-integration division, Clearview, and been in control of the biggest web-services operation across the Tasman.

But by July 2000, after the Qixel deal had been scraped into the rubbish bin, Bristow announced his resignation. He said the market didn't understand his vision, which was the same as the Packer-backed ecorp. Ecorp, thanks to its backer's big pockets, was at that point still fighting fit. In August LibertyOne's interests in the online book and music store, Chinese Books Cyberstore, evaporated. Chinese Books Cyberstore was put into voluntary liquidation. But then the deal to buy the 25 per cent stake in the store had never even been big enough to make it necessary to disclose its financial details to the stock exchange—according to the ASX listing rules, it had to be worth more than 5 per cent of the company's consolidated assets for that to happen.

Two months later, LibertyOne's chairman, Nicholas Whitlam, who had been recruited in November 1999 during a revamp of the company as a way of increasing investor confidence, was forced to deliver the bad news. The company had $4.5 million left in the kitty, which was only enough to see it through until the end of the year. It was anticipating a half-year loss of $60 million. The news was also bad for Whitlam personally. His own stake, worth more than $1 million on his appointment, was in October 2000 worth a paltry $140,000. Luckily these shares had been gifted to him, according to Bristow.

Whitlam could blame the boutique investment banking firm Caliburn for drawing him into this debacle as it had become involved in advising the company. During the process of Whitlam's appointment he'd had several LibertyOne staffers around to his well-appointed Paddington terrace, where he'd ruminated on the importance of the internet as 'the new distribution platform'. With his former business partner in investment banking Malcolm Turnbull having made his first real fortune from OzEmail, Whitlam no doubt wanted his own opportunity to cash in on the boom.

At this point LibertyOne decided to sell pretty much everything that wasn't bolted down and to move its now tiny staff out to the technology wasteland of the northern Sydney suburb of St Leonards. By this time, its shares were trading at 15c. By March 2001, Ernst & Young's John Gibbons was called in to liquidate what was left of LibertyOne. All in all it had burned through more than $100 million and left a host of failed internet ventures behind it. Its grand plan—to be a holding company for internet ventures it either dreamt up or came across—lay in tatters. Creditors of the company were owed $21 million; the company had only $1 million to offer up.

Graham Bristow's bold vision lay shattered and, in a final insult, his shares came out of escrow two days after the company sank into administration.

He had, like so many entrepreneurs of this time, been too early with his plans. If he'd arrived on the scene later, history may have treated him differently.

EIGHT

Two bags

From behind his square-rimmed glasses Chris S. Tyler said he couldn't divulge anything now, but could in three days' time. The arrangement was made covertly, anonymity provided by a nondescript Circular Quay-side café frequented by tourists.

Tyler was the golden boy of Australia's internet age, skilled in the arts of corporate seduction. He had chosen his conduit for an information leak carefully: one of the business reporters for the *Sydney Morning Herald*, Katrina Nicholas, whom he had involved on the promise of an exclusive story.

This undercover game continued the following Sunday morning when she picked up the telephone to speak to Tyler, not knowing that clandestine meetings and avoiding authorities had been part of Tyler's not-so-distant South Dakota past. She was now summoned from the *Herald*'s Darling Harbour headquarters across to a building she could see from her desk—the

Goldsbrough-Mort Woolstores, a warehouse recently converted into self-contained apartments located in an ugly corner of the inner-city Sydney suburb of Pyrmont, pressed up against the Glebe Island Bridge. Pyrmont, like St Leonards to its north, was a haven for start-up dot.com businesses, as well as being home to Tyler, who was the American chief executive of one of the country's largest dot.com enterprises, Solution 6.

When Tyler appeared for the pre-arranged meeting, he was dressed in hotel slippers, swimming trunks with a Goldsbrough towelling robe slung over his shoulders and his trademark tinted square-rimmed glasses. He sauntered along silently as he calmly elaborated on plans for a landscape-altering deal to merge Solution 6 with fellow dot.com darling, Sausage Software. The $5 billion newly merged group would then become the spearhead for Telstra's push into the internet.

It was 16 March 2000 and it was the moment every journalist dreamt of—a jump on a remarkable story involving a startlingly non-conservative strategy by the country's biggest company. It was no wonder Tyler was relaxed. As a boy from the backblocks of ranching country he was now sitting on a 10 per cent stake in a company that was at the centre of Australia's software future and would soon be worth $5 billion. Controversially, he had struck a deal with Solution 6's board that his 10 per cent slice of the company could not be diluted.

It had been a busy time for Tyler. Back in December 1998 he had convinced Alex Waislitz, almost universally referred to as the son-in-law of billionaire Richard Pratt, to invest in his accounting software business. Waislitz, who ran Pratt's private investment company Thorney Holdings, came to an agreement to take a 25 per cent slice of Solution 6. Eight months later Tyler

was frying even bigger fish. The board of Telstra had agreed to spend $50 million to take a 15 per cent stake in his company.

Conveniently, at this time Tyler lived at 17 Clanville Road in Sydney's leafy Roseville, while the turtleneck-jumper-wearing corporate radical running Telstra's push into new media, Ted Pretty, lived at number 3 in the same period home-lined street. Within two months Solution 6 shares were trading at a record high of $6.90. This seemed enough of a reason for Tyler to proclaim a month later that Solution 6 shares would be worth $100 each by the following year. Certainly his comments had some grounding in truth—by December 1999, a month later, Solution 6 shares were trading at $18.35, nearly three times more than their highs two months earlier.

Solution 6 had originally listed on the Australian Stock Exchange in July 1987—Black Monday, or Black Tuesday as it was known in Australia due to the time difference, occurred in October of that year—so it would ultimately become one of the few dot.com companies to experience two stock-market crashes. Not quite a decade later it was struggling with its acquisition of a troubled ISP, Access One, to the point where its bank, Westpac, declined to extend Solution 6's debt facilities any further. In April 1997 its founder and chief executive, Terry Ashman, stepped aside in favour of Tyler.

In 1987 Tyler had been a Merrill Lynch stockbroker. It was the year when he first became involved in the software industry after one of his clients, Canadian software company Lessonware, approached him. By 1989 he was their chief executive. Lessonware promoted a software education product called The Study Game for teenagers. Endorsing the software was a heavyweight team of sports starts: LA Lakers' basketballer Magic Johnson, iconic football quarterback

Joe Montana, tennis grand-slam champion Chris Evert and Canadian ice hockey legend Wayne Gretzky. Despite the star-studded line-up, Lessonware halted trading on the Vancouver Stock Exchange in November 1992 after its US subsidiary was forced to file for Chapter 11 bankruptcy protection. Tyler's co-promoter of the Lessonware float was a fellow called Assa Manhas, who had a reputation in Canadian investing circles of having been involved in some of the exchange's most controversial issues. Manhas died three years later, falling from the twentieth floor of a hotel in San Francisco. His death was officially declared a suicide and there were rumours of debts and depression. However, the Singaporean businessman who accompanied Manhas on his trip to San Francisco could never be located to be questioned by police.

Following Lessonware's failure, Tyler moved into fast-food franchising and then onto a major technology outsourcing firm, EDS, based in Plano, Texas. It was while at EDS that Telecom New Zealand, a client, approached Tyler to join its executive ranks as head of new media. Two years later Tyler would drag Solution 6 out of near-financial crisis and, within the space of 14 months, pull off 13 acquisitions.

When the dot.com bubble ultimately burst, it seemed that few would be spared. Solution 6 shares were trading back down at $5. By the following month all was lost. Amid the stock-market wreckage Telstra pulled the plug on the deal that Tyler and Ted Pretty had been brewing up. And then the Solution 6 board pulled the plug on Tyler.

Business Review Weekly had spent some time digging around Tyler. Nick Tabakoff reported that Tyler had been given a 10-year suspended sentence for possessing 22 kilograms of marijuana back in the days when he was running a bar in the

night-life hot-spot of Belle Fourche, South Dakota (pop. 4565). Located in Butte County, Belle Fourche is the geographic centre of all 50 American states, which was appropriate for a fellow like Tyler, who saw himself at that time as being at the centre of much that went on in the Australian internet world. His Belle Fourche bar, a couple of miles out of town on the main highway, was perhaps appropriately named the Dark Horse Saloon. And it was frequented mostly by cowboys.

To put Tyler's conviction into some kind of context, 22 kilos of marijuana is somewhat more than needed to fill one's personal snuff box—indeed, it would more than likely fit snugly in one's car boot. The *Sydney Morning Herald* later revealed that four years before the marijuana conviction Tyler had been arrested in the US for conspiracy to sell cocaine—charges that were later dropped because the authorities could not establish his identity.

Despite intimations from Tyler that he came from Texas, the seven Tyler brothers had made their mark in South Dakota. 'Our parents wouldn't let us hang out with them,' was how one of their Belle Fourche contemporaries put it. Indeed, Chris Tyler's history in Belle Fourche was not nearly as colourful as that of two of his brothers. John Tyler, a co-owner of the Dark Horse Saloon with Chris, had served time in jail more than once for drug and drink-driving offences.

Initially, after his marijuana conviction was made public, Tyler had resisted attempts by the board to push him out. But then he resigned, only days after addressing a shareholders' meeting, during which he announced that he would not be walking away from Solution 6. He left with a $350,000 payout and all of his $25 million in company stock options. His rapid departure from Sydney to Los Angeles may have had something to do with the fact that he had perhaps previously

forgotten to mention to Australian Immigration that he had a past criminal conviction.

Thankfully, Tyler had an extremely soft spot on which to land. Six months earlier, with his personal wealth boosted by $180 million worth of Solution 6 options, he had made a small investment. He outlaid $US1.7 million to buy a 17-room mansion, complete with swimming pool, in the rarefied surrounds of Bel Air's North Bentley Avenue, which runs north from Sunset Boulevard and is within spitting distance of the grounds of UCLA and of the Bel Air Country Club (men: no shorts please, and definitely no denim). It was a good result for someone who had managed two stints at Kansas State University but hadn't managed to graduate.

Within 18 months of the 2000 technology crash, Solution 6 shares were trading at below $1. Its sky-high profit forecasts had been reworked and the company's board was generally taking a more sober look at its financial projections.

Another six months on, in March 2002, Chris Tyler was again trying to find an advantage, where there was space to do so. Tyler and Solution 6's former chief financial officer Tom Montgomery, using a small Texas company called Beal Finance, began to suck up shares in Solution 6. Andy Beal had had a long association with the pair, which began when he was a client of the accounting firm Montgomery, Baggett and Drews, which was sold to Solution 6. Through his US vehicle MAII Holdings, Tyler now proposed a $158 million takeover of Solution 6.

MAII had been forced to delist from the NASDAQ in 2001, on the grounds that it had no tangible business. Montgomery, who had been sued by Solution 6 for an alleged breach of his non-compete agreement, had joined the company as its finance director. While MAII may have had no tangible business, it was

always quick to disclose that it did have a chief executive—Tyler—who had not been convicted in a criminal hearing during the last five years. Tyler showed no signs of modifying his strategy of letting the media know what he was planning ahead of the stockmarket or, in this case, of his target. He put out a press release, trumpeting his intention to re-list the cashbox MAII on the NASDAQ. At the same time he emailed his takeover proposal to Solution 6 chairman Peter Ritchie.

Ritchie had a month earlier sought out Tyler in Los Angeles, where they had drunk coffee while Ritchie listened to Tyler's version of events at Solution 6. 'It is so fairy land,' a clearly conservative Ritchie told *Sydney Morning Herald* reporter Kirsty Needham. 'You just don't do business that way.'

Tyler had, however, amassed a 5 per cent stake in Solution 6 and was insistent. 'As the former CEO of Solution 6, I have tremendous knowledge of the business, operations and markets of Solution 6 and a successful track record for creating value for the Solution 6 shareholders,' Tyler said. 'I believe MAII can quickly reverse Solution 6's huge decline in value experienced since my departure and help it regain strong positive momentum and quickly reclaim the value that has been lost.'

The deal never got up. Montgomery continued to work with Andy Beal at Beal Capital Markets, before founding a full-service accounting firm, Montgomery Coscia Greilich, which became one of the largest in the Dallas Fort Worth area.

Only a month earlier Solution 6, under the stewardship of South African executive Neil Gamble, had been attempting to interest Kerry Packer's CPH Investments and Sir Ronald Brierley's Guinness Peat Group in making a takeover offer. But by March 2004 MYOB's Craig Winkler had won acceptance from the Solution 6 board for his offer to merge the

two accounting-software businesses. Under the terms of that offer, Winkler would end up with a 40 per cent controlling stake in the merged entity and Solution 6 shareholders would end up with 86c a share, a far cry from Tyler's $100-a-share promise. With this deal doubling MYOB's annual revenues to $180 million, it was hard to see why it hadn't happened earlier.

Having ridden high in the 1980s, corporate warrior and notable Kiwi Sir Ron was one of the wily investors now taking advantage of these latest developments. His investment vehicle, the listed Guinness Peat Group, had waited until the madness of the tech boom had passed and then set about building its own technology portfolio. It ended up with about 19 per cent of Solution 6, which it then sold to MYOB for a profit of nearly $20 million. With profits like that in prospect, software businesses like Solution 6 and MYOB were among the few dot.com companies that emerged as real, substantial businesses once the dot.com bombed.

It wasn't only individuals like Chris Tyler who profited from Solution 6. Steve Vizard, former lawyer turned comedian turned Telstra director, also profited—but in a very different way. Vizard, by this stage one of the most prominent and sought after people in Melbourne business and social circles, had the luck to have been a director of Telstra just as it was becoming interested in Solution 6 and Sausage. It was very convenient for Vizard, who cleverly set up an arrangement with his accountant whereby the accountant would trade shares on his behalf through a shelf company—one created and left on the shelf to age with no activity. Vizard used this arrangement to trade

shares in Sausage Software. ASIC extracted a confession from him and he was later found by the Federal Court of Australia to have breached his duties as a director of Telstra in relation to share trading, and he was banned from managing a corporation until 2015 and fined $390,000. 'It was a pre-meditated and cynical exploitation of a privileged position held by Mr Vizard and showed a complete disdain for the confidentiality of the boardroom,' ASIC said in its press release at the time.

Meanwhile, Vizard had kindly agreed to lend his good name to another dot.com darling. Multiemedia had gone through a backdoor listing process to get its public profile—and of course its cash—from the public. Mining minnow Australian Environmental Resources had decided the resources available from being an internet company were far more attractive than anything that could be found in the ground. The deal was struck to issue Multiemedia with 80 million shares in return for its website-building software program. Then AER paid 112 million shares for the remainder of the business. Australian Environmental Resources duly changed its name to Multiemedia and off it went. Literally, off its shares went—soaring northwards. As is normal practice with price-sensitive stocks, the company's shares were put into a trading halt prior to the deal being announced, before which it had a market value of about $5 million. Once the halt was lifted the market value rose to about $30 million. Add in the shares that were to be issued to the boys from Multiemedia and the implied value of the company doubled to $60 million.

And it had just the right sort of leader at its helm. One personality trait particularly useful in boom times is confidence, not to mention bravado. The co-founder of Multiemedia, Adrian Ballintine, was one such gifted fellow. He had

been endowed with enough of both qualities to blast his way through any boom.

Multiemedia was another dot.com hopeful looking for market credibility in the form of well-known business identities. Enter Vizard, who lent his name to the Multiemedia board. As Vizard was not yet *persona non grata* in investment circles, he was indeed a catch for Multiemedia. But there was little doubt its biggest drawcard was the fact that 6 per cent of shares were held by one Paul Allen, co-founder of Microsoft, through his Vulcan Ventures business. In the dot.com age, an imprimatur didn't come much better than that.

Ballintine had previously developed websites for companies including Hamilton Island, Telstra and Nissan. But he had come to the conclusion that there wasn't a company providing website design to small to medium-sized businesses at low prices. Cue Multiemedia. Its bold claim was that, in the space of less than an hour, businesses could use its software to build a website that looked like it had cost tens of thousands of dollars to design. Apparently ZoneStudio, as the software package was known, was so effective that even the most e-limited individual could use it successfully.

Ballintine's promotional skills were superlative. In its second month of life as a public company, Multiemedia even threw in what it called a 'Special Promotion'—as the stock exchange announcement at the time was referred to. Multiemedia began giving away its software to customers of the Hotkey internet service, which belonged to second-tier telecommunications company, Primus Telecommunications.

Some of its initial results were exceptionally good. For example, it had built a website for the car rental company Thrifty. Ballintine promoted the fact that Thrifty was attract-

ing an additional $50,000 a week in revenue from the site his company had built. He also spent time talking up future profits, based on Thrifty's estimate that its new site could bring in revenue of more than $5 million a year. Clearly the car company believed its website had plenty more business in prospect in order to come up with those figures, which were almost double what it was currently generating from the site.

The company was expected to make a profit in its first year. Not much of a profit—only $1 million or so from the company's estimated revenue of more than $5 million—but a profit nonetheless. He believed that having relationships with businesses like National Australia Bank and Primus would grant it access to a ready supply of customers. Now Ballintine had something to crow about—and he had such a nice way of doing it: 'The technology involves millions of lines of code developed over two years—it's not junior burger stuff. The fact that it will be delivered by the NAB is a huge endorsement,' Ballintine told *Australian Financial Review* journalist Stan Beer at the beginning of September 2000. It was far better than most of its compatriots that had moved across from the mining boards to the more lucrative dot.com board.

Given his tendency towards bravado, it was no surprise that Ballintine stood steady when faced with competition from the mighty International Business Machines (IBM) Corporation. He figured he had every right to challenge it: 'Their product is pretty poor,' Ballintine announced in a suitably upbeat press release in July 1999. He pointed out how considerate it was of Multiemedia to exist because, as far as he was concerned, no one was adequately servicing the small to medium-sized enterprises—the SMEs, as they were known—in the so-called e-commerce development arena.

E-commerce development was a fascinating area in itself. There were many companies looking at it, but just how much they were developing technologically was open to question. Ballintine, at least, was convinced that Multiemedia was at the top of its e-commerce game—and if not at the very top, then at least 'one of the top five Australian web design companies,' he boldly asserted in one press release.

For his next step, Ballintine sorted out the company's standing in the business community. Getting a bank onside is, of course, an important achievement in business. Getting a big bank like NAB working in your favour was of huge importance: in July NAB agreed to become Multiemedia's 'development partner' for its ZoneStudio web-development tool. NAB agreed to give its e-commerce expertise to the tool so that customers could also have an online payment facility. The bank also offered to market it to its customer base. Sadly, it wasn't to be. In June 2000 the *Australian Financial Review* reporter George Legakis reported that NAB had withdrawn from the deal. The same story also noted that the chairman of its wholesale funds management arm County Investment Management, one Charles Macek, was the fourth largest shareholder of Multiemedia. In October Multiemedia began to promote another of its assets. This time it was a package that allowed businesses to create an intranet. Again, its set-up was designed to be relatively simple for someone with little experience in IT. It had all the mod cons of the time, including access to email and the internet, and even remote access. It would allow employees to share timesheets and project management data. This time it was Multiemedia's plan to expand overseas to get the customers it needed.

Multiemedia, which had had its backdoor listing in May 1999, nearly doubled its share price on this news and that of

Computershare agreeing to take a slice of Multiemedia and developing software for overseas markets jointly. By January 2000 Ballintine was again on the acquisition trail. This time around, he applied the company's knowledge of all things internet to the world of sports broadcasting. As before, the investment had all the right elements. This time it could bandy around high-profile names like Steve Vizard and Eddie McGuire, and any mention of Multiemedia in the media was usually accompanied by some reference to it being the Australian company which had won the attention of Microsoft co-founder Paul Allen's Vulcan Ventures.

At the end of January 2000, it bought 23 per cent of Sportsview, the company Vizard and McGuire had large licks of stock in. This clever pair had used their fame to convince several Australian Football League clubs to sign over their internet rights to Sportsview. The Collingwood, Hawthorn, Carlton and Western Bulldogs football clubs were all in agreement that Sportsview had their best interests at heart.

By this stage Ballintine, who had his own sporting credentials (he had a golf handicap of 14 and a claim to fame from having played at the Fred Couples Invitational ProAm in the USA with Ian Baker-Finch just after his British Open win), was still bragging that his company was out-performing everyone else within cooee. The Richmond Football Club was also now in his fold—unsurprisingly, given that he had previously sat on its board—and he was boasting that Multiemedia's annual growth rate was now 20 per cent.

Again, Ballintine was timely with the bravado. He was hoping to make Multiemedia the leading sportscasting company in the country. And it wasn't stopping at football club websites. Webcasting—broadcasting events over the internet—

was intended as its next game. It wanted to webcast football matches. Never mind the small inconvenience that the rights to these football matches were already held by the AFL—the plan was that Multiemedia would get its hands on those rights.

Such was the optimism of the time, that by now they were hoping to become not merely the leading sportscasting company in Australia, but internationally as well. Multiemedia shareholder Paul Allen owned the US National Football League team the Seattle Seahawks, and the US National Basketball League team the Portland Trailblazers. Ballintine planned to exercise his great powers of persuasion on the management of these teams. In the UK he planned to go after accounts with both the Liverpool and Manchester United soccer clubs.

His plans were so ambitious that he intended to webcast annual general meetings as well—clearly he saw similarities between a typical shareholder riot at a lively AGM and a Saturday afternoon at the MCG watching the footy. These plans represented Multiemedia's high-profile ambitions, but there was also its bread-and-butter business of web development. Both the ANZ and National Australia banks were pushing the package Multiemedia had designed at its small business customers to enable them to set up their own websites.

To meet the challenge of so much activity, Adrian Ballintine had beefed up his staff. Vizard operative Shaun Levin had taken the job as chief financial officer. Packer acolyte Jamie Bartels jumped to Multiemedia from a marketing job at Crown Casino. Keeping the arrangements nice and tidy, when Levin became CFO, he remained general manager of Granada Media Australia, which had been a founding shareholder of Multiemedia and owned about 1 per cent of the company. He planned to spend 80 per cent of his time on Multiemedia business,

but he still managed to conduct the odd piece of business for Granada—such as buying a 9 per cent stake in Kerry Stokes' television and magazine business, the Seven Network.

As much as Ballintine was effervescent in his marketing of the Multiemedia business, Vizard was a fizzer. In March 2000 Vizard rewarded the Multiemedia board for its hospitality. He joined the board on 2 March. The day after, he exercised half of his in-the-money 4.5 million options package which, if they had they all been converted to shares at that time, would have been worth about $2.7 million. Five days later he began selling the shares he had converted from options. By 9 March he had sold all of these shares—only eight days after being appointed to the Multiemedia board. Once all had been sold, he had made about $1.1 million. His timing was immaculate. Charmingly, he ignored stockmarket regulations and failed to disclose this sale until five months later, in August 2000. To put this in context, Multiemedia's reputation benefited from Vizard's directorship which Vizard then took advantage of by selling his shares. Remembering of course that Vizard didn't tell anyone that he had sold the shares at the time—as he was obligated to under the Corporations Act—because that would have created a huge fracas as it demonstrated lack of faith in the company. Cheeky was an understatement.

Vizard was restricted from converting the other half of his options until the first six months of his directorship was up. By the time the rest of the options had become exercisable at the beginning of September, the options were only just in-the-money. They were so-called 20c options, which were only worth something once the company's share price reached 20c. The shares were barely trading above this level until five months later, in August 2000. Reminiscent of Peter Ritchie's 'fairy land'

assessment of Chris Tyler, Ballintine was later to say of Vizard's package and behaviour: 'It seems like Noddyland now.'

An apology to the Australian Stock Exchange for Vizard's inadvertent slowness in informing them of the initial sale came from his ever-faithful accountancy firm, Clarke Bentleys. Bentleys' Greg Lay had, among other services, provided a share-trading vehicle which was, at first glance, at arm's length from Vizard, which satisfied ASIC.

As for Multiemedia, it continued to follow the new-technology path. Getting by with the help of a $3.5 million capital injection from clients of the Sydney stockbroking firm Findlays during the dark early years following the dot.com crash, in 2003 it bought into a broadband internet business, NewSat.

NINE

Australian pin-up

A Ferrari is a work of art. Its low-slung sleek form, together with its trademark black bucking stallion badge, wins admiring looks and turns heads wherever it goes. But, as a machine, it is notorious for quickly becoming untuned—more so than many race cars. It represents the triumph of brand over substance.

Stephen Moignard owned two Ferraris. One he kept in Melbourne (its number plate was DAVNET, after his company, and it shared digs with his Merc and his Porsche) and the other, albeit second-hand, in Hong Kong. Even the pre-owned thoroughbred would not have had trouble reaching 250 kilometres per hour on an open road, but on Hong Kong's congested byways, where it was a challenge to get out of second gear, there was only the consolation of wide eyes and slack jaws.

It was March 2000 and Moignard was in Chicago, running fully three-quarters of an hour late—he could have done with one of his Ferraris. But Moignard was in no hurry. Like many

entrepreneurs of the time, one of the skills he possessed was knowing that confidence is almost everything—it had already proven its worth during a stockmarket boom that had delivered him his attractive cars and a beautiful home.

Waiting for him was a group of two-dimensional Canadian property experts. This dour bunch may well have held the power to make or break his deal—one that verbally constipated bankers like to call 'company transforming'—but, going by the fragile smiles on the faces of the advance guard Moignard had sent, the deal never had a hope anyway.

The Oxford Property Group was a heavyweight commercial real-estate house headquartered in its own eponymous building in Toronto's downtown financial district. Its top-end property managers had flown down to Davnet's Illinois office seemingly for pure entertainment. Moignard's Canadian man-on-the-ground, Jamie Torpey, was in mid-attempt at smoothly selling himself and his technology to them and their suite of office towers when the unruffled Moignard came strolling into the room.

That was the thing about baby-faced, acne-scarred Moignard—he didn't stop for anyone. He talked, cajoled, inspired and preached. On this occasion he did it for nearly an hour. As it turned out, the entertainment value was so high that the Canadians decided they wanted more. Before that hour was up, they had decided against all expectations that they needed Moignard and his technology to ensure their success in the new millennium. Happily, they both got something out of the deal. This deal was essential to his efforts to spin off a Davnet subsidiary in Canada. A Davnet Canadian initial public offering was in turn part of Moignard's efforts to create a global telecommunications and internet player.

The Oxford Group's managers were most likely unaware that Moignard had begun his business just a few years earlier, with the assistance of a $130,000 loan from his dear old dad. Moignard and his labourers had imported—under licence from the Israeli army—the know-how to transmit line-of-sight voice and data traffic to office towers that had been fitted with whiz-bang, fast-speed cabling to link its inhabitants to the World Wide Web.

In a traditional telecommunications set-up, telephone and internet services were provided through a 'line switched' network, which translated meant each customer had its own line for each service. Davnet's advantage was that it provided a cheaper, faster 'packet switched' network, which meant each customer's services—data, voice and video—were delivered over Davnet's cable using routers.

Davnet was worth $2 billion at this time. Compared to many technology upstarts flooding the world's stockmarkets, Davnet had all the hallmarks of a real business—cashflow and even profits. It had numerous advantages. Firstly, it was light years ahead of its cumbersome chief competitor, Telstra. Davnet left Australia's national telecommunications carrier for dead in its plans to fit office buildings around the country, and before too long around the world, with the cabling necessary to link them at speed to the online world. Secondly, it had begun with the imprimatur of international investors.

Birsfelden, a satellite town to the Swiss industrial capital Basel—where the Rhine flows and there is easy access to Germany, France and some of the best ski fields in the world—is a pleasant place to live. It was also the unassuming home of Investa AG, a funds-management business, whose long arms of influence stretched to Australia. From their suburban Swiss

premises, business partners Hans-Rudi Moser and Juerg Walker were professional investors using their own and their clients' funds to invest in a stockmarket playground they knew well and which knew them in return. The style of deal they liked was one in which they bought early and bought cheaply. They pulled the strings from across the globe. They provided support while the wider stockmarket discovered their acquired companies' better qualities and redefined their share price accordingly. Naturally, they did a sterling job of redefining the value of their and their clients' precious shareholdings in the process.

In Davnet's case they went one better. Walker and Moser's Investa AG was the major shareholder in an Australian listed exploration concern which had seen better days. Golden Hills Mining had tried admirably in its endeavours, but sadly hadn't lived up to its name. It needed spicing up with the help of a technology investment. Davnet may not have been offering gold-laden hills, but it had something far more attractive with which to woo shareholders: blue-sky profits, in which Investa AG was expert. Playing the stockmarket game with Swiss precision, they knew that the internet had everything needed to foster a stockmarket boom. Naturally the highest profits were achieved after entrance to a stock at the ground level.

It was a golden time. A company did not even need to understand what it was doing in this new-technology realm—as long as it could employ the terminology. So a backdoor listing was arranged—in other words, the Golden Hills listed entity bought the unlisted Davnet entity and re-emerged into the sunlight of the stockmarket.

When Davnet hit the bourse running on 13 January 1999, it was the beginning of the real heat in technology shares trading on the Australian stockmarket. Davnet became an instant hot

property. And Moignard wasn't sitting back for the ride—he had tracked down a profit-making company called MagnaData and, within three weeks of his company listing, he had made an offer.

Jason Ashton, Mark Cramer-Roberts, Ron Creevey and Vivian Stewart of MagnaData had been even more groundbreaking in their business plan than Moignard. Their company took line honours as the first Australian company to get the population online. MagnaData was an ISP with about 4000 corporate clients and annual profits of about $1 million from annual turnover of around $8 million.

The quartet took Moignard's offer of cash with open arms. The four men walked away with $4 million each. When Creevey later mused that they ought to have held on longer before selling, he'd apparently forgotten he was part of an elite minority that reaped hard cash from its internet experience. The majority of dot.com investors couldn't cash out their shares and options, either because they were held in an inconvenient little arrangement called escrow or, more likely, because they had been rendered as good as worthless.

MagnaData was just the carrot Moignard needed. He started at the top, taking his new purchase to a subsidiary of the world's biggest telecommunications company, Japan's Nippon Telegraph and Telephone. The subsidiary, NTT, had a taste for new technology and was willing to pay for it, going by an earlier decision it had made to pay $US5 billion for a website provider in the United States.

Moignard was about to do the deal of his life. By November 1999, before Davnet had even celebrated its maiden year on the bourse, he had agreed to pay $100 million for half of MagnaData—not bad for a company Davnet had paid

$16 million for in its entirety. Davnet's corporate advisor, Brendan Brown, soon afterwards negotiated an additional $18 million to the final sale price. Brown found himself with a Ferrari from the Davnet board as a reward and further incentivisation.

Davnet, with the help of MagnaData, had just taken a leap into the telecommunications and technology big time, and its founding business—cabling office towers—was growing rapidly. But its greatest problem was that its generous new Japanese partner moved slower than Davnet liked. The peripatetic Moignard's answer to this was to look further afield—he struck a handsome deal in January 2000 with Hong Kong's Hutchison Telecommunications that would allow Davnet to provide its internet and telecommunication service through 500 buildings.

Moignard went one step further. Davnet offered to buy loss-making Hong Kong business New World Telephone for what seemed like the ridiculous sum of $430 million. Moignard was proposing that Davnet pay a fortune for a business that wasn't making a brass razoo. But he had a very good reason. Davnet hadn't been able to get its hands on a carrier licence as a foreign business but NWT had exactly what it needed.

It was early 2000 and the dot.com boom was at its height—but Davnet still believed it had a problem. That problem was that $100 million was burning a hole in its coffers and it needed to be spent. On top of that, Merrill Lynch had offered to handle a NASDAQ listing at the same time, raising the company $US400 million. Meanwhile, with so much money in the hole, the Swiss investor from Investa AG, Juerg Walker, took a seat on the Davnet board so he could get a closer view of the company and Moignard's activities. This was a good decision—

a crash was around the corner. Davnet's slide towards stockmarket oblivion began with the US-led technology market slump, which heralded the end of the great dot.com hype.

Back in 1999, Davnet had rented an office in Chicago's 110-storey Sears Tower after completing a capital raising by way of a convertible note with its friendly Swiss investors. As ever, a deal was in the offing, and later, in November 2000, Davnet came to an agreement to provide the tower with its fibre network. The glass-and-steel skyscraper had in 1998 lost its title as the tallest in the world to a Malaysian oil group's building and, after Sears sold out of what had been a difficult investment (it had never been able to find sufficient tenants for the enormous building), it became known as Willis Tower.

In that unlucky second week of April 2000 Moignard flew into Chicago to deliver his non-stop spiel to his supporters. Moignard called it 'juicing the troops'. His timing couldn't have been better. Torpey and his crew of advisors from both sides of the globe were in desperate need of some juicing. Putting the finishing financial touches to Davnet's Canadian venture up in Toronto had proven complicated.

The Canadians running Davnet's operation in Toronto had managed to sign Oxford Properties, but only after the sermon-like intervention from Moignard a month earlier. Apart from that, Davnet's Canadian offshoot was running behind schedule and had signed access agreements to only a few buildings, certainly not the number its managers had told Moignard they could manage. This was bad news for Moignard, given that Davnet's game was akin to a land grab.

By this time those of Davnet's competitors already listed on the lucrative NASDAQ market were being valued on the basis

of a multiple per square metre of office space that the property owner had given them access to wire. They were being valued at $US20 for each square metre, and double that if they actually wired the building. Wiring a building like the Sears Tower, which had 400,000 square metres of office space, would cost less than $US200,000, but stockmarket analysts at that time would value that at $US16 million, regardless of whether Davnet had paying customers or not.

But worse than lagging on their targets to sign up office space, the Canadians were resisting Moignard's attempts to renegotiate the deal they had originally stuck with him. The original deal was a fifty-fifty agreement with the Canadians to fund the operation, but Moignard had different ideas. He saw the Canadian offshoot as a franchise which did no research and development of its own.

Davnet's global expansion plan, in some ways, was simple: buy an asset in a country of choice, then use that asset as a base for a stockmarket listing in that country, thereby allowing Davnet to raise even more funds for even further expansion. Toronto stockbroking firm Yorkton Securities, Davnet's choice of lead broker for its Canadian float in 2000, was ranked in the city's second tier of broking houses, but it may as well have been Goldman Sachs in this stockmarket boom—it had bucketloads of cash to burn. Its clients had the same happy problem. The biggest challenge facing Davnet was whose money to take. The broking house wanted to throw $5 million into the kitty in return for a cheap stake in Davnet Canada before it went to the public market. It was even willing to put up the $5 million unconditionally and bypass the usual months of due diligence in order to ensure its pre-float stake, on the assumption that its $5 million could be tripled or even

quadrupled once the shares hit the bourse. But Moignard's precision got in the way.

Six months earlier it had seemed reasonable to sell half of Davnet's Canadian operations. But now that those operations were worth US$40 a square metre of office space, he suddenly didn't want to hand half of that to the Canadians in charge of the business. And certainly not when, as far as he was concerned, he was going to have to keep going to Canada and sign up the customers himself. Moreover, he was not about to become generous when he was in the middle of a vital listing and a US$400 million NASDAQ raising largely based on his North American operations. Canada had the potential to be the same size as his Australian operations, which he had sold to NTT for US$200 million. He had every intention of reworking the deal to benefit the Davnet parent and its shareholders.

Those attempting to put Davnet Canada together flew into Chicago in April 2000 to ensure that it happened. Their meeting was held in one of that city's most prestigious office spaces, but Moignard certainly didn't need a flash venue in order to be taken seriously. He set the terms for his benefit. It took until the following afternoon for the difficult birth of Davnet Canada to have been officially, and finally, completed. The fist-thumping and raised voices were just normal Davnet business practices.

So what do you do when a deal is done? In trans-Pacific spirit, you imbibe. Specially ordered Foster's Lager appeared, accompanied by Moët & Chandon champagne. And celebration drinks were nothing without a team-building exercise. Everyone in the Davnet office that afternoon still had one more part to play before they were allowed downstairs and into the waiting fleet of a dozen limousines. Drinks in hand, everyone—from the visiting stockbrokers to the company's cleaner—was asked

to address the room. Each had to explain what they planned to do to assist the splendid vision for Davnet.

For his part, Moignard was focusing on more important considerations, namely, how he could locate a Lear jet that could house a spa bath. The Lear jet, by his most likely accurate reckoning, was a cheaper alternative to the bills for first-class airfares Davnet had been footing.

By three o'clock the next morning, after numerous rounds of Moignard-engineered trays of Moët & Chandon, Cristal and Dom Perignon champagnes, the battle-weary negotiating team from Toronto were ensconced in Chicago's Pavilion nightclub and were too stonkered to properly absorb what had a few hours earlier taken place. But their hangovers quickly took on a different dimension when they checked their phone messages for the first time that day while getting into the waiting limousines—the more clear-headed among them suddenly realised that the NASDAQ's finest hour had passed.

That Friday, 14 April, saw the birth of the latest global fling in the life of an Australian technology success story. And that very same day saw the end of the global boom that had provided the opportunity for it to happen. Investors were soon being accused of having allowed the vast riches they had accumulated during the technology boom to impair their better judgement. But in Sears Tower that day, as in many other luxurious office spaces housing hitherto unknown technological geniuses driving billion-dollar businesses, judgement was a quality gathering dust on an office shelf.

A month earlier, on 28 March, Davnet's shares had hit a record high of $5.99. But nothing could help the stock now—not its profits, and least of all its blue sky—as the NASDAQ hit the skids, with the local Australian market hot on its trail.

Davnet's banker, JP Morgan, was the first to begin changing the terms of its funding deal with the company to its benefit. The New World Telephone deal was a goner. Davnet pulled out of the deal on 1 June, when its shares were trading at $1.23, and its exit cost it $12.5 million for an option agreement that had given it the exclusive right to negotiate with the Hong Kong company. Davnet's plans to use the New World Telephone business and its carrier licence as the base for a viable Hong Kong business and stockmarket float were no longer.

Director Bill Laio was so offended by the fall in Davnet's share price following 14 April 2000 that he contributed his strong views to the gossip-mongering website frequented by day traders, Hot Copper, in a seeming attempt to stop the negative rush of sentiment against the company. However, it was quickly accepted by the Davnet board, and by Moignard himself, that the founder's skills and workings of his brilliant business mind were far more effective when they were uncoupled from the day-to-day running of the company.

The board hired a head-hunter to track down a new chief executive. Hal Turner was an American contractor working in Hong Kong for New World Telephone. It was by all accounts no easy task to find a credible executive with experience in telecommunications that wasn't being paid a salary in the millions. Turner took up as chief operating officer under Moignard at Davnet in July 2000.

Davnet's chairman, Bill O'Shea, was also the managing partner of Sydney corporate law firm Hunt & Hunt. He'd been involved in hiring Turner and believed that he was ready to take on the chief executive's role. His fellow board members had agreed. By February 2001 Turner had been appointed and a stock exchange announcement followed which gained the public support of Moignard.

When it was announced on 1 February 2001 that the company's founding genius was stepping down as CEO in favour of the fellow he had invited into the company, and that henceforth he would be confined to barracks in the role of non-executive director, Moignard told shareholders he planned to hold onto his stake in Davnet—the largest held by an individual—and remain on the company's board, but that he also planned to pursue outside technology-related business interests. His replacement used the same company announcement to thank Moignard for his 'kindness' and 'guidance'.

In his search for other business interests, Stephen Moignard did not need to look far afield. Indeed, he had been nurturing for some time another venture that was beautifully simple—his plans in this regard had first become public in October 1999. Davnet linked office blocks to the World Wide Web through its wireless technology. The new venture—dubbed 'Son of Davnet' in stockbroking circles—planned to give these office blocks the infrastructure to allow them to spend time in this new cable-free universe. It aimed to create what it called 'geographical location portals' which would provide each building with its own intranet within which they could communicate. It would allow companies in the buildings to order anything from Bic ballpoints to boardroom sandwiches. 'Virtual cities' was how the company liked to describe its concept.

Conveniently this virtual-cities plan was cached in a private company, Property E.Mages, which was owned by Davstock Investments of which Barry Moignard, father of Stephen, owned 70 per cent. Barry's Property E.Mages was backed into a public

shell company and was rebadged CBD Online. CBD Online's new home, which had already been through the rigours of listing on the Australian Stock Exchange, was a shell called Asia Pacific Infrastructure. The rationale according to Moignard was that the company and its shareholders needed some careful attention to improve the company's prospects. It had been suspended since August 1998, when its shares last traded at 22c. Its market value at that time was about $27 million.

This plan, announced in March 2000, proposed a cross-shareholding between Davnet and CBD Online. The former would issue CBD Online $4 million worth of its shares and the latter would issue Davnet 20 million shares in return. Barry would end up with nearly 87.1 million shares in CBD Online and he would give the voting rights for these shares to Stephen. Barry would step down as chairman and become founder and advisor to the managing director, Antony Hing. Stephen would be a non-executive director because he, as we know, had plenty of his own troops to 'juice' over at Davnet. He would own 10.8 million CBD Online shares. All up, the Moignard father-and-son team would own 97.9 million shares in CBD Online, or 60.5 per cent of the company.

And who would have turned the Moignards down when they came up with the idea to improve the company's prospects? Stephen Moignard was a clever fellow with several degrees and, unlike plenty of other internet entrepreneurs, had also completed post-graduate studies in information technology. He had also come to know his way around the stockmarket. Barry Moignard was described as a prominent Melbourne businessman in company despatches, not to mention his vice presidency of the Australian Peat Society and a past head of Rotary, which may not have been necessary to run a dot.com company.

Not that multiple degrees were needed to come up with this Moignard venture. A simpler individual would have simply created CBD Online as an operating division of Davnet. But far cleverer people knew that that wasn't the best way to make the most of one's opportunities. In other words, here was a great way to raise money and personally reap the scrip rewards offered by a booming stockmarket.

Like the men themselves, the public listing process had been relatively smooth. Retail investors were jumping at the stock before the company had even released a prospectus. It raised $6 million to provide a nest-egg for the business. The Moignards had provided the correct ingredients for a float. They knew the benefits of networking and had managed to convince the former Liberal Party leader John Hewson to take on the chairmanship of the company. Hewson was bright, he was connected and he also happened to be a nice bloke. His only failing was that, more often than not, he seemed to pick the losing side.

The company structure became even simpler when the CBD Online board decided in May 2000 not to go ahead with the Davnet cross-shareholding, because the dot.com had well and truly bombed. Nevertheless, CBD Online had merit. Distinguishing itself from many of its internet compatriots, it had existing customers. Its work in hand consisted of 14 buildings and it suggested that it might have 200 buildings accounting for 20,000 tenants within a mere two years. Hong Kong was proving a boon for its close relative Davnet and presumably CBD Online was planning to capitalise on the same market for technology services in the city of skyscrapers.

But CBD Online didn't boast of profits in 2000, instead admitting to losses of $2.85 million for its adjusted financial

year from 1 January to 30 June 2000. It even had some forecast revenue to speak of—about $400,000.

There was no denying that CBD Online was a fully functioning business and not simply a bright idea. But time was running out. Little more than a year after CBD Online hit the Aussie bourse, cracks were beginning to appear in the board. Hewson jumped ship in March 2001, citing differences with the company's founder, Barry Moignard.

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TEN

Reputations that ring a bell

The Regent Hotel in Sydney's historic Rocks precinct, with its soft, thick carpets and mood lighting, hosts a good show. When the number of attendees hits 400 the show gets even grander. When a Member of federal parliament agrees to give a speech at the event—to staff, clients and institutional investors—it's no longer just a company event, it's a party.

The company in question, Macquarie Corporate Telecommunications, was on the fast track, judging by the attendance numbers and the choice of location for its gala company dinner in 2000, weeks before the dot bombed. Rubbing shoulders with the federal Communications Minister Richard Alston that evening of 30 March was a fellow who liked entertainment. He had worked in the law courts of New South Wales and knew how to put on a performance. Val Bellamy—as he was known in legal and criminal circles, or Graham as he was known in telecommunications circles—was an original partner and was

among those who were photographed standing with Alston himself. Seven months later he would be in prison.

But back then Bellamy was working at MCT—even if it was on the less salubrious fifth floor of its Bligh Street premises with the telemarketing staff, at a desk where as marketing analyst he scoured newspapers and magazines for business leads. He had been brought back into the business by David Tudehope, a gentleman of generous nature, who sympathised with Bellamy's somewhat unjust plight of finding work difficult to pin down after his criminal connections were made public—even though he had no criminal convictions. Along with partners, David and Aidan Tudehope and David Braidwood, Bellamy had founded the telecom back in 1992 when the Tudehopes sub-let office space from Bellamy's law firm. Bellamy's colourful background was to divide the founders.

David Tudehope had a dispute with fellow founder David Braidwood, who felt there could be potential negative ramifications in the investing public by having Bellamy working in the company. For his part, Bellamy had a live-and-let-live attitude. Asked by counsel assisting ICAC whether the public would be scandalised by a well-known solicitor dining at the Coachman restaurant in Redfern in the company of controversial former detective Roger Rogerson, former policeman and drug dealer Murray Riley, two other detectives who were later jailed (John Openshaw and Bill Duff) and the criminal Arthur 'Neddy' Smith's bodyguard, Graham 'Abo' Henry, Bellamy responded, 'Only if they were snobs or narrow-minded people'. Braidwood ultimately resigned from the telecom citing different objectives. He didn't agree that Bellamy ought to return to work once interest in his action-packed former life had blown over. Bellamy, himself, had sold his shares in the company in December 1992.

When the law firm moved from its George Street premises and up to Bligh Street, MCT went with it and continued to sub-let until it outgrew the space and had to rent more floors in the building. In fact, the relationship dated back even further. David Tudehope had originally undertaken work experience with Bellamy, at the time when Bellamy was a partner in the law firm O'Connor Bellamy. But for most of the early years of the telecom's life Bellamy had also worked as a lawyer to some of the more colourful Sydney underworld characters. His office sported a picture of a businessman in a suit putting out his hand to shake. Underneath was the caption 'Spot the Criminal'. Bellamy, also known as Graham Valentine Bellamy, brought a useful perspective to a publicly listed corporation. He had won himself a mention in a coronial inquiry in 1994 due to a secretly recorded conversation the convicted murderer, Arthur Stanley 'Neddy' Smith—a client and friend of Bellamy's—had had with his cellmate at Long Bay jail. Smith was recorded saying that Bellamy had paid him $60,000 to kill an unnamed man. That man was believed to be another scintillating character, the male model, sometime cocaine dealer and heavy gambler Mark Johnston, who was also a client of Bellamy's. Bellamy told investigating detectives that Johnston had come to his home, spent 15 minutes in Bellamy's company, before leaving the house with the $60,000 that Bellamy had been keeping in trust for him.

Smith's recorded version of events was slightly more entertaining. He reckoned he had handcuffed the man and slowly garrotted him with a cord. Smith had decided on that method because he said that Bellamy had expressly wanted no blood splashed on the carpet, because it was new. 'You done a brilliant job,' Bellamy allegedly told Smith when he viewed the body, according to Smith's version of events. Bellamy said that Smith

had it in for him and set him up by lying to the commission because he had refused to establish a false alibi for Smith in the 1987 murder investigation of tow-truck driver Ronald Flavell in the Sydney beachside suburb of Coogee.

Smith was of course notoriously unreliable. Many of his recollections in those secret tapes were found to be so, and the Department of Public Prosecutions decided against pursuing Bellamy over Johnston's disappearance, though the coroner had thought there was sufficient evidence to find Smith guilty of the murder.

This just added to Bellamy's litany of problems. Two years earlier, an ICAC inquiry was informed about Bellamy having money snatched in Sydney's Martin Place. It was the same year the telecom had been founded. Bellamy had been carrying a sports bag containing $60,000 and it had been wrenched out of his hands by a passer-by. An off-duty policeman saw the scuffle—and the bag being returned—but Bellamy didn't want the policeman's assistance. Then he said another man had come up to him, punched him twice, and taken the bag. This was the second time he had been robbed in the one day. The off-duty policeman said no such second robbery had occurred. Smith's version of events was that Bellamy had spent a client's money and wanted to cover it up by pretending it had been stolen. The thief, it turned out, was a petty criminal who later gave evidence against Smith in 1998.

It was no wonder Bellamy began looking for a new line of work. But even after he had entered the world of new-age telecommunications companies he was getting publicity for his escapades. At a 1995 Police Royal Commission the corrupt detective Trevor Haken alleged Bellamy had suggested stinging one of his own clients. The client, who had been charged with assault, was told that for $5000 the victim would never appear.

But this wasn't the end of Bellamy's problems—in fact, it may have been the beginning. His practice suffered from the publicity surrounding the Smith tapes. He claimed in his own trial six years later—by which time the telecom was a fully fledged stockmarket player—that he had been forced into fraudulent practices to support his family. He had three daughters and a wife, who by all accounts had expensive tastes. In the same year that he was being mentioned in the coronial inquiry, Bellamy also defrauded the Broadway Credit Union of $340,000 in 1994 and used most of the funds to pay his own mortgage on his Paddington home. In the following three years he also kept about $360,000 belonging to one of his clients, Geoffrey Robert Goldie. He pleaded guilty to both crimes and was convicted and sentenced to a stint in prison.

But regardless of his weaknesses, the big kahunas at Macquarie had liked and respected Bellamy's work. At Bellamy's trial for fraud, which was then being heard, a Macquarie executive, Anthony Shewan, gave character evidence. He told the court Bellamy was excellent in the role of marketing analyst and in gleaning leads to pass on to the company's telemarketers.

Of Bellamy's relationship with Smith, which extended to visiting notable watering holes and other establishments, including brothels, Bellamy insisted their relationship was above board: 'I tried to compartmentalise it. I had a close social relationship with him, but I tried not to let that affect my professional relationship with him or vice versa.'

It was 2000, and David Tudehope was enjoying the opportunity to indulge in a little competitive poking of corporate rival Telstra

at the so-called 'Tuesday Morning Meetings' where staff crowded into the boardroom at its Bligh Street office. With his imposing glare, impressive intellect and commitment to working long hours, he was unlikely to attract any opposition from his management team. However, the company's board was a slightly different proposition.

The people at Macquarie Corporate Telecommunications took their education seriously. Take Tudehope's co-founder, his younger brother Aidan. Aidan promoted himself as having a Harvard education. It may not have been the notoriously difficult Master of Business Administration courses that the Harvard Business School is renowned for, but nonetheless, young Aidan had completed one of the many six-week post-graduate executive management courses that the leading Massachusetts university offered. Thankfully, MCT weren't only interested in education.

The Tudehope brothers were nothing if not focused. They took their seven-year-old business to the stockmarket in September 1999, with the assistance of Merrill Lynch and Ord Minnett. The $150 million float was priced at $1.80 a share. The Tudehopes' private company, Claiward, sold 25.7 million shares into the float, reaping about $45 million.

But the company itself was not immune to tough times. By the end of March 2000, MCT was under-shooting its revenue targets by close to one-fifth but still the Tudehopes' personal stake topped $408 million that month. A year later, however, it was worth not much more than $35 million, which prompted the company's board to discuss possible deals with other companies.

In April 2001 fellow telecom junior PowerTel had spent $4.6 million on a 10 per cent stake in the company, which had

subsequently fallen in value to $2.7 million. PowerTel was interested in making what would have been a $60-odd million takeover offer for MCT but the Tudehopes were not interested. Also testing the waters was another dot.com start-up, People Telecom, which had its own 2 per cent stake in Macquarie. People Telecom had been commandeered by the Melbourne Liberal Party Grand Pooh-Bah Ronald Walker and his protégé Margaret Jackson.

The Tudehopes had a reputation for wanting to keep control which may have grown from the barely civil relationship between David Tudehope and the company's chairman Leon L'Huillier. At a board meeting in April 2001, on a vote to appoint the advisor Gordon Fell and his firm, Allco, to advise on potential deals, the Tudehope brothers had been outvoted by the three independent board members: Leon L'Huillier, Arthur Charles and Geoff Wild. This made it difficult for Fell, who admittedly polarised people, to nurture many deals for the company's board, which had hired him. The other proposition being canvassed was privatising the company, which, given the independent nature of the company's controlling shareholders, the Tudehopes, may have been an attractive solution to the board.

This was only one of a series of disputes between the brothers and the board of Macquarie Corporate Telecommunications. The first had been over the wording of the company's previous profit downgrade, a month before on 12 March 2001. That downgrade was followed by another in April, which revised second-half losses further south: in March the company had predicted a loss of between $6.5 and $10 million. Now it was predicting a loss of between $10.5 and $14 million. These downgrades led to the company's share price collapsing by

nearly two-thirds of its value, and shareholders questioning management's credibility.

The second dispute had been over a takeover approach from an unnamed European telecom. The three independent directors argued that the bid warranted being put to minority shareholders. The Tudehopes disagreed—they didn't believe the offer was good enough. The resulting board split prompted a request from the independent directors that Aidan Tudehope, then 29 years old, stand down from the position of chief operating officer. By the end of April 2001, unable to manage the single-minded young Tudehopes, all three independent board members resigned. Taking over was former Coca-Cola Amatil finance director John Priest, who was a personal friend of the Tudehopes, and the former British Telecom executive Robert Kaye.

Priest, in doing his job, copped some press frustration during his tenure as the number man at Coca-Cola Amatil when he replied in the negative after being asked if there was a capital raising in the wind. About 12 hours later the company placed $667 million worth of stock. Priest left the following year and then took a seat on the Sydney Water board.

It wasn't just other companies that were interested in Macquarie. The corporate watchdog also did some sniffing around in the wake of the company's boardroom dramas. That didn't go anywhere, but Macquarie Corporate Telecommunications, which became known as Macquarie Telecom, did.

By the end of the first decade of the new century its profits were approaching $30 million. And it was back to being feted by federal politicians, just as it had been at the beginning of the century. Stephen Conroy, now Labor's Minister for Broadband, Communications and the Digital Economy, awarded

Macquarie Telecom the World Communications Award for best customer care in 2008.

Its shareholders must have also been happy. In 2010 shares in the company were trading at levels not witnessed since 2001.

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PART TWO

Opportunists

'Peter is a fairy tale believer. He reads Cinderella *at night and is convinced he'll wake up with a glass slipper on his foot. I don't think he's devious or crooked, but he just totally believes in himself.'*

Peter Jermyn, NewTel shareholder

ELEVEN

Chinese whispers

You had to hand it to Peter Malone—the bloke had style. When he wanted to attract investors to his company, he flew from Perth to Sydney and laid on all the extras. He employed drink waitresses and bartenders and assisted his guests' judgement by pouring colourful daiquiris down their throats. He invited them into the cavernous atrium that greets visitors to the Australian Stock Exchange headquarters, located on Bridge Street, Sydney, one city block back from the glistening waters of the harbour, and let them soak in the glow of numbers as stock prices flashed onto a giant screen like an electronic mural. He made sure to mention that the final details of a $200 million capital raising, which he had first announced to the public a year earlier, would be made public within 14 days.

Malone's was a talent worth bottling. His flair for throwing a really good party was only exceeded by his effervescent enthusiasm for the stockmarket. It was late 2000. In the blaze of that

mural's tale of easy money, bankers and investors and their brokers sucked back on their 11am cocktails and marvelled at how, in spite of the crashing out of the technology boom, the pre-lunch drinks remained. Malone was a clever kind of fellow, well prepped in the intricacies of the stockmarket and its complex rules. His latest sport was a little company he had re-named NewTel. Its predecessor, the data transmission business Transcom, which he had begun in 1988 and which had taken him as far afield as Eastern Europe, had proved less rewarding than he had hoped for.

NewTel had begun its life in Perth, a city known for being extremely fertile for undersized companies. Perth was often either the first or last staging post for entrepreneurs. Surrounded by dry country and located four days' drive to the next capital city, it was a kind of economic, political and cultural oasis, which erupted on irregular occasions in brief, fiery pushes for secession. It was the Wild West all over again, with an ethos of anything goes.

NewTel was perfectly suited to the new era of deregulated communications, which had kicked off with the partial privatisation of Telstra in November 1997 and the float of Optus 12 months later. NewTel's entrée to public-company life was like any other future telecom giant insofar as it sold bog-standard telephone services. The difference was that it was buying and then re-selling other companies' lines—a 'switched reseller' in telecom-industry parlance. And, like any other future telecom giant, it planned to expand from fixed lines into mobiles and then the internet.

It all sounded like a solid beginning. The cream on top was the attraction of flogging cheap phone calls to Asia and, in particular, China. It planned to lasso the large numbers of Chinese living in Australia who wanted to retain telephone

contact with relatives or friends in China by offering super-cheap calls.

'China' translated to stock-exchange punters as 'vast mass of mankind'. In Malone-speak, that translated to 'immeasurable mass of dough'. Of course, there wasn't quite the mass of Chinese living in Australia as living in China, but that wasn't a deterrent to people like Malone, who was planning to wow the stockmarket with his grand plans to take on the great unknown. Malone had the first ingredient for a stockmarket missile; he just needed a second.

This came in the form of an affable chap called An Zhou. An Zhou's claim to fame was that he had links to the Xinhua News Agency, with which NewTel had first struck up a business relationship in 1997. Xinhua is otherwise known as China's state news service and, for most punters in Perth, this meant that it had to be big—it was part of the Chinese government, after all. And, going by the reputation of the Chinese government's power in the media, it had to be a dominant type of organisation. It was certainly influential globally—among international news websites only the BBC and CNN exceeded Xinhua's number of hits. In China it was the most watched television news service.

Winning the right to set up the commercial arm of such a gigantic and prominent news service was an enormous coup for NewTel. That a local entrepreneur like Malone, who was most at home wining and dining those in the investment circles of Perth, had such influence with the Chinese government was truly astounding. What was also surprising was the fact that the Xinhua News Agency and its international operations seemed to show little interest in its Australian-based commercial arm and the moustachioed Malone.

Considering that he was carrying the responsibility for the commercial interests of the Chinese government in telecommunications, it was very odd that Malone and NewTel were barely seen in Chinese diplomatic circles in Australia. It didn't seem to bother Malone, who was happy to let An Zhou look after the Chinese side of things. He may have been running a commercial arm of what was essentially the Chinese government, but Malone didn't think that meant he had to spend large chunks of time in China.

The business Malone and An Zhou had set up in this auspicious way was given the name Xinhua Holdings. Such a remarkable deal from a little Perth company like NewTel garnered a huge response from the Australian share market. With something as big as the Xinhua Holdings story behind him, Malone had all the ammunition he needed to knock down some investors. So that's precisely what he did. Never one to be criticised for underplaying an opportunity, he announced in November 1999 that NewTel would raise $200 million.

Why Malone would want to move outside the small pond of the Australian stockmarket was not hard to comprehend. With China's commercial interests now effectively up his sleeve, he knew he had all he needed to take on another giant market: the United States of America. Malone fancied his chances of walking straight up to the US's NASDAQ market and tapping it. NASDAQ promised big; it was growing at light speed on the back of the investing public's fascination with the internet and telecommunications—anything, in fact, that related to technology—and was at one point the fastest growing equity market in the world. NewTel's Australian peers—OzEmail and the internet search engine LookSmart—had already been to NASDAQ and enjoyed the ride. It was, however, a very

expensive form of transport—up to three times the price of a listing on the plain old Australian Stock Exchange.

The only unexpected feature of the fundraising was that all NewTel planned to seek from local investors was another $20 million. In fact, Malone's line of attack paid homage to a relatively common stockmarket strategy: the idea that you would find—yes, exactly that—you would find an *idea*. Then, with your idea in hand (preferably one that promised vast rivers of cashflow), you could then go to investors to raise money to develop that idea. In the case of the idea of a new telecom that resold services, you would promise investors rising subscriber numbers, which translated into rising cashflows. Blinded by the dollar signs in their eyes, no one seemed to look too closely into this or, even if they did, it didn't seem to worry them that there was little margin in selling such services. Had they managed to focus, they would have realised that it didn't matter whether there were low subscriber numbers or whether the whole of China subscribed; on those margins they were never likely to make billions of dollars.

There was an even smaller likelihood of investors looking closely at NewTel's fundamentals in the US. If it got through the rigorous NASDAQ listing process and convinced a US stockbroker to take on its marketing needs, then it was likely good enough to win over investors in North American equity markets.

The fundamentals mattered little anyhow, given that predictions abounded in the US market, planted of course by Malone, that NewTel had the potential to be the AOL of the Asian region. 'We aim to be the America Online of China, because in this game you either get big or you get out,' went Malone's spiel in March 2000, at the same time that NewTel shares hit a record

high of $4.24. As it turned out, Malone was wise to direct his attentions to the US market as Australian investors were having trouble understanding the huge potential of NewTel's Xinhua Holdings links. In fact, the vast majority of stockmarket punters didn't see the situation the way Malone and An Zhou did at all. Even a major shareholder, Sydney investor Rodney Adler, was so unsure—despite the money he was making arbitraging NewTel's Australian listed common stock and its American Depository Receipts—that he sent a representative to China to sniff around NewTel's deal.

The reason the stockmarket at large was unsure may perhaps have had something to do with the fact that at least one of the chaps at the Chinese news agency Xinhua seemed to have very little knowledge of Malone and his operations in what was considered a remote outpost of Western Australia. When an official at Xinhua's Beijing headquarters claimed there was no deal between the companies, a deal which was reported initially by the London-based media analysis company ComputerWire, it was rather galling for NewTel's bosses, as it had previously helped along Xinhua Holdings by generously fertilising its operations with more than $4 million in cash. On top of that, it planned to issue Xinhua Holdings with reams and reams of shares in NewTel—$200 million's worth. What the Chinese government wanted with the this cornucopia of NewTel shares was a good question. It was a question that investors were asking: was a name the biggest thing the People's Republic and Malone's telephone company shared? Malone repeatedly rejected the claims reported by the London news service.

With so many unanswered questions being asked about the state of play, it was perhaps not surprising that the $200 million Malone set out to raise from the US market proved

elusive. Yet, if NewTel's ability to raise the money it needed to get Malone's grand vision going was suffering, some of its people weren't. NewTel's US operative, John Germinario, was thankfully cushioned from the pain of this failed fundraising initiative. Germinario's job had been to arrange the float of the company on the NASDAQ and it has to go on record as one of the more surprising episodes in the history of NewTel. Germinario was very proficient in organising his own interests. However, perhaps surprisingly, he had a great deal of trouble doing likewise for the rest of NewTel's shareholders.

When NewTel shares soared from December 1999 to January 2000 on the back of its never-ending swirl of positive news, Germinario was one of the first to recognise the true benefits of this share-price rise. As is the way with diminutive Perth companies like NewTel, they were reluctant to pay cash for mandates to raise cash such as Germinario's and preferred to remunerate their helpers with options. Though he was yet to secure a successful NASDAQ listing, Germinario had a rather nice package of NewTel options, which he quickly traded himself out of. He exercised his options on December 22, and then sold the majority of the resulting shares by the beginning of January, when they had experienced the most startling rise—more than 300 per cent—to hit a high of $3.50. It was just icing on the cake when NewTel's well-to-do chairman, Harry Sorenson (a former Challenge Bank executive, Western Australian Citizen of the Year, MBE and AO) just happened to let it slip on 3 January 2000 that NewTel had access to a market in China which would be worth, oh, say, $US12 billion in a few years' time.

A day later the American Ray Dirks, an excellent salesman of stock, was lucky enough to find himself with an opportunity

to talk up the company on the high-profile cable news channel CNN. If only the ability of these chaps associated with NewTel to talk had translated into an ability to realise all the potential that they were talking about. Also, achieving a listing on the NASDAQ was not as simple as NewTel might have implied—firstly, the process was rigorous and, secondly, it was prohibitively expensive and could easily run into the millions of dollars.

Mark Hake, an American fund manager with a passion for research, also became a director of NewTel. Hake ran a company from Arizona called Hake Investment Research LLC, which published a variety of reports in the area of value investing. Hake also enjoyed the odd appearance in the US media, where he was exceedingly happy to talk about his investment ideas. Even though his chief expertise appeared to be value investing, Hake wasn't one to turn his back on an opportunity to become involved in a growth stock, hence his involvement in NewTel. It was a great benefit for someone like Hake to be able to write up a company of which he had such an intimate knowledge through his board seat. He recommended NewTel as a 'strong buy' to subscribers of a US stockmarket-advice service.

It was a great reassurance for these subscribers that the advisor owned shares in NewTel. The advisory service in question was run by another Arizona resident, Vivian Lewis, who also owned NewTel shares through her investments with Hake. She was a very useful individual during early 2000 when some investors began questioning NewTel's prospects. She attempted to shore up the growing discontent by sending a mass email outlining that any such criticisms were a load of codswallop. Arizona seemed to be a wonderful place for investing—everyone had each others' backs.

NewTel and Hake's involvement with each other didn't end there. It was a mutually beneficial relationship, which was exemplified when NewTel loaned a bit more than $400,000 to an unassuming little company called Fitness Age—of which Hake also happened to be a director. But these friends had little in common: NewTel had as much to do with the health industry as it had with Chinese news services. But as good friends do, NewTel's board members took it upon themselves to write off the loan to the good folk at Fitness Age when their business went in the same direction as NewTel: that is, nowhere. Nevertheless, Hake announced to the Australian share market in February 2000 that he had ceased to be a substantial shareholder in NewTel.

Dot.com devotee Dominic Martino also had a seat on NewTel's board. His full-time employer, the accountancy firm Deloitte Touche Tohmatsu, earned fees from NewTel—to the tune of about $4 million in 2000 and 2001. It was, however, for corporate advice not for auditing services. KPMG was NewTel's auditor and in 2001–02 refused to sign off on the company's accounts. Top-tier law firm Freehills provided NewTel with legal advice and its partner Paul Evans was a NewTel director.

But even Deloitte and Dominic couldn't help NewTel with its China deal. Deloitte had been instrumental in assisting that deal get off the ground, but even this connection to this member of the accountancy world's then Big Four—the others being Arthur Andersen, PriceWaterhouseCoopers and Ernst & Young—couldn't convince the giant Chinese news agency Xinhua to scream from the rooftops that it had a link to the NewTel offshoot bearing its name. If the $200 million that NewTel hoped to raise on the NASDAQ had once been a distant dream, it was now a figment of the imagination.

But there were other deals—or what it hoped would be benefits. There was one under which NewTel's Xinhua Holdings bought a portal company, Xinhua Internet. Then there was the deal to buy technical support company Chinaworld Internet Technologies. It used a raft of its own paper—120 million shares—to buy Xinhua Internet, and it used $US24 million to pay for Chinaworld.

Where these companies came from was hard to say; the ownership arrangements were complicated. All NewTel's interests in the People's Republic were held through a Chinese-registered company called Shenzen Xinhua Network Technology Development, of which NewTel owned 90 per cent and the omnipresent An Zhou held the remaining 10 per cent—personally, of course. NewTel had the right to acquire An's 10 per cent if the Chinese government ever changed its rules and allowed 100 per cent foreign ownership.

Within China's borders things became even more complicated. Shenzen Xinhua planned to begin five joint-venture companies that would have relationships with both government agencies and commercial interests. Then there was a plan to hitch up with Hutchison Corporate Access's Hong Kong operations, to take its services to markets in Vietnam, the Philippines and Thailand. These were all wannabe deals, which never led to much.

As 2002 wound to a close, Malone's considerable sales abilities were tested to the extreme. NewTel was in hock to the tune of $10 million to the Singapore-controlled Optus. Optus boss Chris Anderson, like Malone, had the gift of the gab, but even he was running out of patience. No amount of talking was going to keep receivers out of NewTel's offices in Sydney's inner north, where the company leased several floors of very average

office space among the highrises of St Leonards. NewTel may have had a small, but extremely swish, head office in Perth for the likes of Peter Malone, but its operations in Sydney were far less salubrious.

But Malone was the kind of fellow who knew his way out of a tight spot. He'd customised his black Aston Martin DB7 Vantage with an extra 15 centimetres of legroom and with that kind of inventiveness, he clearly had a Plan B. If the receivers were on their way, he would be ready for them with an offer. This offer took the form of a debt buyout from a seriously obscure company called Broadband & Wireless.

Broadband & Wireless should under no circumstances be confused with the venerable Cable & Wireless of the United Kingdom. While Cable & Wireless was one of the biggest telecoms in Europe, Broadband & Wireless was without doubt the equivalent in parts of outer Dandenong. The fellows behind the Broadband & Wireless effort—the Steggalls *père et fils*—had shown their cleverness in coming up with a name that punched above its weight. No doubt it provided echoes of home for Neil Steggall, a well-presented Englishman, as did another company connected with NewTel and the Steggalls called Cable & Telecoms. The Steggalls were particularly focused—and fond of ampersands—when it came to inventing company names.

Neil Steggall and his son Richard, an altogether serious young man with grand intentions, had a particular interest in the telecommunications industry. You could think of them as the bridge between an idea and a business—they certainly did. They would come up with the inspiration, and then travel the investment highways of Australia until they found the cash to turn it into a commercial reality. Of course, as so often in the ways of business, these endeavours were not always successful.

As his father would sometimes confide to potential business allies, Richard had found himself in a little bit of trouble, as young men frequently do. This particular trouble had resulted in a verbal spanking and a suspended sentence from the County Court of Victoria for what were surely trivial charges: obtaining financial advantage and property by deception.

For open-minded individuals like Neil Steggall, this sort of occurrence was best thought of as a rite of passage for a young man intent on making his name in big business. And make his name was what Steggall junior did as he wandered through the streets of North Sydney—with *The Australian*'s business reporter-at-large Geoff Elliott in tow—on his way to talk to Optus about taking control of NewTel and snatching it from the ashes. Steggall the Younger was the public face of Broadband & Wireless, the private company with links to Malone that liked to think of itself as the potential saviour of NewTel.

Malone and the Steggalls made superb business partners, because they were as clever as each other. Empty coffers were thought to be of little hindrance to a good business plan—at such a time a little imagination is all that is necessary. It was reported by Geoff Elliott, in a piece for which he later won a Walkley Award, that the liquidator believed that at least $2.55 million had found its way out of the about-to-collapse NewTel and into Broadband & Wireless's kitty. At least something was going right for the Steggalls. Steggall had, up until then, been experiencing his own financial challenges in his role as prime mover behind another equally well-known telecom that had been given the ampersand-less moniker Stegtel Pty Ltd (presumably it was necessary to include a derivative of the family name in the company title to ensure against forgetting

said name later on, once the company had grown into a global telecom giant).

Of vital importance in the life of any young telecom company is finding premises with a businesslike feel in a suitably central location. To this end, young Richard had rented commercial premises in South Melbourne and even had the confidence to pay the first month's rent up front. But, of course, in the world of big business, having a name and premises did not guarantee the cashflow expected of an international telecom. After that first month Stegtel was rather less forthcoming with its rent and by the beginning of 2002 it was forced to close its doors. Nevertheless, there were more important deals afoot.

Broadband & Wireless deposited its small reserves of cash with Optus in the first leg of its plan to win the business of NewTel. Before calling in the receivers Optus had offered to forgive half of the $6 million it was owed by NewTel in recognition of the wholesale services it had provided. Telstra also offered the same deal to NewTel over the $12 million it was owed. But even a 50 per cent debt-forgiveness program wasn't enough to overcome NewTel's problems. The Broadband & Wireless rescue plan had looked quite hopeful early on, but now it was becoming ever clearer to the two Australian telecom majors that it was going to be impossible for B&W to meet its promises.

Needless to say, as NewTel stumbled further down this dark alley, the fellow in charge of its liquidation—another well-spoken Englishman, Phil Carter from PriceWaterhouse-Coopers—began to raise his eyebrows at the manner in which money had been moved from NewTel across to Broadband & Wireless. In the last few days of its life, those with their hands on the purse strings at NewTel had seen $2.55 million

transferred from NewTel across to B&W. Another $250,000 had been forthcoming from a NewTel director who was based in Hong Kong, Gary Koh.

The transactions were unusual enough to attract the attention of the investigators at the corporate watchdog. ASIC started to track the interesting habits of NewTel on its journey to ignominy. Certainly ASIC went so far enough as to interview the liquidator on several occasions.

Also raising Carter's eyebrows was Peter Malone's reaction to Carter's appointment to manage the company. For a bloke with such driving ambitions, Malone was obviously up with how it played out when a company called in the corporate undertaker. Malone greeted Carter with open arms on NewTel's first day of administration. It didn't, however, take long for Malone to realise that, far from being a white knight, Carter was actually about to take control of the company. For Malone failure had never figured in his plans, so it was little wonder that he had no knowledge of how a corporate collapse played out.

Nonetheless, by the second meeting of NewTel creditors in late 2002, Malone, with the help of the two Steggalls, had enough wherewithal to have come up with an alternative to lowering the company into the corporate grave. After all, Malone had to come up with something—he had been banking on a $750,000 contract payout to keep himself in the manner a chief executive of a telecommunications company had come to expect.

Malone and the Steggalls had a deed of company arrangement which proposed revitalising the company in hand when they arrived at the meeting. Carter took the floor and delivered his dire prognosis for the future of the company to the 200-odd attendees in the room and the other 200-odd listening across

telephone lines in Melbourne and Perth. When he opened the floor to questions, he repeated each question for the benefit of those listening over the telephone. Then Carter invited a confident Richard Steggall to begin his presentation to convince the gathered creditors to approve the deed of company arrangement.

After his self-assured spiel Steggall also opened the floor to questions. The first came from a creditor in the Sydney audience: 'Mr Steggall, could you confirm that you have a criminal conviction?' Steggall could do little but verify the question. As he launched into an explanation involving his young and stupid days, Carter interrupted him and asked him to follow the meeting's procedure and repeat the question. There was nothing for it but for young Richard to reiterate the question and confirm his criminal conviction.

Once Steggall's criminal past had been publicly declared the game was over—there was little he could do after that to win over the audience of creditors. The deed of company arrangement could have been more attractive than Telstra walking in the door and offering creditors 90 cents in the dollar, but they still would not have voted in favour of it. It was to mark the Steggalls' and Malone's last days at NewTel.

Yet, sadly, NewTel hadn't seen the last of Malone. In the company's heyday Malone had posed for a series of company advertisements, including a banner poster that had been printed and pasted up on a billboard on the modern sculpture-lined highway leading to Melbourne's Tullamarine domestic airport. Malone's moustachioed dial was still floating above commuters' heads months after the man himself had come down to earth.

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TWELVE

Dot.come up and see me some time

'Do you think it's so snobbish, to want to see something besides one's fellow citizens abroad?' wrote Sinclair Lewis in *Dodsworth*, his novel about the differences between Americans and Europeans in manners and morals. But Sharon Austen, who was at a run-of-the-mill business meeting in the United States, was not complaining when she bumped into fellow Sydneysider Russell Crowe. Very little else was ordinary when it came to Austen. As boss of online marital-aid retailer, SharonAusten.com, she was something of a sexual high priestess.

It was the beginning of 2000 and Austen was sitting at the bar of the Delano Hotel in South Beach, Miami, with her business partner and main squeeze, Sydney stockbroker Rob Cameron. Also visiting the hotel late that night was the actor, with whom they struck up a conversation—Cameron and Crowe had both attended Vaucluse Public School (as had Malcolm

Turnbull). Crowe sent two bourbon and cokes in the direction of Austen and her beau. 'Thanks very much, but I don't drink bourbon and coke,' she retorted. Shortly afterwards a bottle of French champagne arrived. It was a dramatic improvement from the Cocksucking Cowboys—a sickly combination of butterscotch-flavoured schnapps and Bailey's Irish Cream—that she and Cameron had been knocking back.

The champagne appeared to have a similarly enhancing effect on her relationship with Crowe, who, after some discussion, showed interest in the prospect of shares in the $5 million float of the internet sex-toy retailer. Crowe doesn't recall any such discussion, nor swinging a champagne bucket around in a rather cavalier way. (The ceiling of the Paddington Italian noshery, Darcy's, long boasted a hole care of a party for Crowe where the celebrations moved from the floor to the table tops.) This was just another day in the unusual life of Sharon Austen. Notably, she created a great hubbub in midtown Manhattan when she chose to launch her website in October 2000 at the trendy modern-art-filled French eatery Brasserie 8½ with a brightly coloured display of zodiac-themed vibrators. 'C'mon, arrest me,' she said to the NYPD officer who arrived to shut her down. However, the publicity created by the police's arrival didn't go astray—the *New York Post* ran a story on the Australian madam turned chief executive in which she lambasted Americans for their backward attitudes to sex.

It had been a hard road for Austen up until that point. Her relationship with a lawyer, with whom she had two sons, had broken down. Then she made ends meet by raising her sons in a rented house in Surry Hills while working full-time managing a doctors' surgery. It was after being held hostage by a drug addict wielding a contaminated syringe that she asked for a

wage rise from $35,000 to $45,000. When her lack of university education was given as a reason not to better remunerate her, she resigned.

She may not have had a degree and she may have struggled in secondary school, but Austen came from principled stock. She was the grand-daughter of Newcastle communist Thomas Dunne, and daughter of socialist union representative Edward Cecil Dunne. 'Comrade' was the usual form of address at home, when they weren't protesting against the Vietnam War and Richard Nixon. She had other important mentors, including the woman who was to become her son's godmother, the nun and lawyer to underdogs and criminals Yvonne Swift. Another early job had been working as a telex operator in Jeddah, Saudi Arabia, at the age of 21, where she met the Ugandan dictator Idi Amin when she delivered a telex to the head of the hospital in which she was working.

But it was while working in the doctors' surgery that she made the one contact she needed for her assault on the Australian corporate world: the stockbroker Rob Cameron. He had come into the surgery with a black eye, the result of an exchange with his wife and a bag of frozen peas. The two became friends and, later, lovers when Austen would spend half her time living with Cameron.

Before the dot.com boom arrived, Austen had started operating a brothel on Sydney's Cleveland Street, enlisting the help of some New Zealand artists she was sharing a house with at the beachside suburb of Coogee at the time. The result was Babette's—a gilded space in the style of a French bordello named after the award-winning Danish film *Babette's Feast*. She had previously worked at the well-known Sydney brothel Zazzi's, run by her former partner's aunt, Zara Walker Powell.

On 14 June 1999 Austen was sitting in a busy café overlooking Sydney's Rushcutters Bay reading the latest issue of the US business magazine *Forbes*. On the front cover was a story about the $US56 billion business of sex, and particularly the business of sex on the internet. In February of that year, Private Media Group Inc had become the first adult entertainment company to be listed on the NASDAQ. Her reaction was one of annoyance.

Austen was already cyber-savvy. She had attempted to create a paperless office when managing the doctors' surgery (Dr David Baker was later to launch the software Medimin based on this paperless office system). She had followed the success of the US website, JenniCam, one of the first webcam sites that streamed live the day-to-day activities of its subject through uninhibited daily documentation. It was when the business world began throwing cash at JenniCam in return for product placements that Austen's mind began to tick over. She could see the possibility for a live, online brothel and conceived herself as the first cyber-madam, selling sexual favours through her website to men around the world. The possibilities were endless. The *Forbes* story talked about the success that the German sex business Beate Uhse AG was having selling sex online. Austen felt someone else was running with her idea—though she was yet to put it into use—so she decided to telephone the German company directly to see if there was a way of doing a deal that would include her. With the hint of a white lie, she told the German on the other end of the telephone that she was going to be in Europe in late 1999, so she could drop by.

Austen's hottest tip for the dot.com boom was not to wear underwear to business meetings. She worked hard at preparing for her meeting with the Germans, which she regarded as

the most important business meeting of her career so far, when she travelled to Europe on a flight paid for by Cameron. The wardrobe of her Sydney home had clothes, but they were more appropriate to her job as madam of a brothel. So she clad herself in a designer suit, also paid for by Cameron, bought at half price in London—and little else. With her long blonde hair, her tan and her sassy nature—and her absence of underwear—at that meeting Austen was every bit the embodiment of the actress Sharon Stone in the Hollywood blockbuster *Basic Instinct*.

The fellow she met, Ulrich Hulle, the chief financial officer of Beate Uhse AG, Europe's most successful sex retailer, even called her Sharon Stone. He apparently enjoyed her presentation as much as millions of film viewers had enjoyed Ms Stone's notorious performance. Malcolm Day, the head of rival internet sex-aid retailer Adultshop, had been to meet executives from Beate Uhse only weeks earlier—but it was Austen who made the lasting impression. Cameron congratulated her for her 'ten out of ten' performance.

The meeting bought her a shot at convincing the two boards of Beate Uhse to go into business with her, and a meeting was arranged with the directors in their 'sexagon' headquarters in Flensburg, the town where the company namesake Beate Uhse herself had famously landed her fighter-jet at the age of 25, her two-year-old-son and his nanny aboard, plus two injured German soldiers, on the last plane to escape the oncoming Russians. Uhse was a former Luftwaffe captain who had later supplied marital aids and contraceptive information to Germans. Her business was, and continued to be, one of the most successful publicly traded German companies.

Back in Australia Rob Cameron brought a protégé, Corey Vincent, into the business as a shareholder. The two men had

first met when Vincent was gardening for a mate of Cameron's, Kim Slater, and parking cars for a living at Sydney's Wentworth Hotel. Slater had asked Cameron to give the young man a start as a stockbroker, which he had. Cameron enlisted him to put together the business plan for the upcoming directors' meeting in Germany. But when Austen received the plan she insisted on calling in some multimedia experts. With their help she put together a presentation, and embellished it with images of semi-naked women in an effort to wow the Germans.

It worked. When she finished her presentation with the heart-warming words '*Und ich habe zwei kinder*' ('And I have two children'), one of the directors rose to his feet and applauded. It quickly became clear that he and his colleagues saw her as a possible replacement for Uhse herself, who was by then in her eighties. After several more meetings, the German company agreed to take a 29.4 per cent stake in her company and to provide the sex merchandise to be sold over the SharonAusten.com website. 'Beate Uhse AG, one of the largest erotic entertainment companies in Europe, is going to be on the starting line in Australia in time for the Olympics,' Beate Uhse told its shareholders in November 1999.

Cameron undertook to handle the corporate side of listing the company. Arranging SEX as the company's Australian Stock Exchange three-letter code had been a coup, but, like the act itself sometimes, it hadn't all been straightforward. Then head of the exchange and its chief wowser, Richard Humphries, had called in a group of female staffers to discuss allocating the potentially controversial code to the new listing. ASX staffer Louise Ellsing spoke up for approving the code and no one objected.

Austen was keen to list the company on 1 March, the birthday of her late father—who had died at the age of 52—and

coincidentally also that of Cameron. But it wasn't until 11 May 2000 that SharonAusten eventually listed. It was an inauspicious date to begin with, considering that it was the day on which internet stocks tanked, following the lead from the US NASDAQ market. But SharonAusten.com put on an auspicious performance; in spite of the external environment, its shares didn't fall. Meanwhile, Austen busied herself trying to find a professional chief executive. She initially gained acceptance from Linda Graham McCann, the former head of Microsoft in Australia, but McCann subsequently cited family reasons for turning down the position. Liberal Party doyenne Pru Goward was enticed to sit on the SharonAusten.com board, but she too was later to change her mind after being offered a beaut new job by the then prime minister, John Howard, as his Sex Discrimination Commissioner.

Meanwhile, there was some tension between Vincent, who was spending most of his time in the preparation of the prospectus, and Cameron and Austen. In the draft prospectus it had slipped in that Vincent held a science degree. As Vincent was later the first to admit, he had fallen short of being able to put the B.Sc title behind his name because he'd failed to complete a practical part of a second-year subject, though he'd spent four years at the University of Sydney. The draft was reworked and no one was the poorer.

With internet companies beginning to feel pressure from a hostile stockmarket environment, soon other board members began to look to replace Austen as their CEO. The answer seemed to be to engineer a merger with fellow sex retailer, Divolution. As part of that deal Austen agreed to take on the role of creative director, but by July 2002 her board had decided she needed to go. It didn't renew her contract and the

business changed its moniker to Gallery Global Networks.

She was out. Her reaction was to go to the New South Wales Industrial Relations Commission over her dismissal. Now calling herself Sharon Austen Dunne, the aggrieved former sex entrepreneur described the situation in her own unique way. 'I was treated very badly. A year ago I felt I made a marriage of the chicks with clicks to the dicks with the bricks. But they basically kept me in the house and wouldn't let me out. I was a second class citizen—no, a third class citizen.'

In hindsight, it can be said that Australia's corporate community didn't quite know what to do with Austen, with her outspokenness, her long boots and her background and interest in sex. It probably didn't help that half of corporate Sydney's male population had in the backs of their minds that she might recognise them from those two fine establishments, Zazzi's and Babette's.

THIRTEEN

Mining the net

John Landerer was a man with an impressive list of achievements. Three countries had bestowed official honours upon him. The Australian government had made him a Member of the Order of Australia (AM) in 1990 for his work in legal circles. The Queen of England had anointed him Commander of the Most Excellent Order of the British Empire (CBE) in 1997. And even the Italians had celebrated his achievements with an equivalent: *Commendatore dell'Ordine della Stella della Solidarietà* in 2008, impressed with his assistance in the furthering of fashion design. He also had an impressive list of public company directorships—the Adler family's FAI Insurance was one, Sir Peter Abeles' TNT another.

And yet, by the time dot.com mania overtook the Australian stockmarket, Landerer's wide-ranging achievements were rarely publicised. It was as a director of the tiddly explorer, Goldsearch, that he made his ignominious appearance in the

daily blatts, hitting the headlines because of an outsider's attempt to boot him off the most insignificant board he occupied. Unlike many other directors of small explorers, he copped it because of his unwillingness to embrace the new age of technology.

From his chauffeur-driven black Mercedes 500 Series to his bespoke suits and carefully tinted coiffure and matching eyebrows, Landerer aimed to make an impression. Over many decades he had demonstrated an impressive ability to negotiate with the legal and business fraternity through his Sydney legal practice, Landerer and Company. He had attracted many valued customers along the way—among them perhaps the most high profile being the late John Saunders, who had jointly founded the Westfield shopping empire with fellow Hungarian immigrant Frank Lowy. On Saunders' untimely death in 1997, Landerer became one of the trustees of Saunders' estate—a position that was to prove rewarding over subsequent years.

Landerer also had considerable property interests, as did the Saunders' Terrace Tower group. Arguably Landerer's most impressive asset was an elaborate compound in Sydney's exclusive Vaucluse, for which he had paid multi-millions (he asked for and received retractions from several publications that had printed he had paid $46 million). And that was even before Lady (Mary) Fairfax's favourite designer, the celebrated Frank Grill, had designed the sumptuous interior.

An FAI directorship may have been more trouble than it was worth to Landerer, given that his directorship at the Sydney insurer ultimately landed him before the royal commission into the collapse of FAI's purchaser, HIH Insurance. But there was never any finding, or suggestion, of wrongdoing on Landerer's part and these brushstrokes in the kaleidescope of a fascinating career did nothing but good for his standing in academic

and legal circles. In 1990 he was made an honorary fellow of his alma mater, the University of Sydney. He was also a visiting professor at Macquarie University, which awarded him an honorary doctorate in 1999.

It was in July of 1999, in fact, that Landerer, as chairman of the small gold explorer Goldsearch, came under attack. Kyle Shields, a stockbroker from the backblocks of Victoria's Mornington Peninsula, felt so strongly about 'restech' (the descriptor coined for resources companies' predilection for morphing into technology companies) that he wanted Goldsearch to invest in a technology-style deal to capitalise on the current crazed investments being made in tech stocks. He called a general meeting of shareholders to oust Landerer and fellow old-school director, John Percival, because of their opposition to this strategy. But Landerer fought and stayed, while ceding some concessions along the way.

The Goldsearch board—which also included another director close to retiring age, Albert Harris, a former FAI director—now agreed that it ought to investigate cyberspace a little further. 'At a general meeting held on 26 July 1999 the company announced it would be seeking shareholder approval to convert its status from a public no-liability company to a public company limited by shares, to allow for the consideration of investment opportunities into areas other than mining and exploration. The company intends to continue its exploration operations as its core business but will also assess a number of proposals in the internet and communication industries,' ran the public announcement.

Imagine the delight of those lucky investors who had been able to get their hands on the option issue, to be priced at a mere one cent, which had been announced the month before.

'A panel of investors, comprised principally of shareholders of the company, have expressed an interest in underwriting the proposed issue,' the public statement had said back in June. The word 'interest' was undoubtedly an understatement: any investor would have known it was money for jam.

Clearly Shields, the stockbroker from the Peninsula, had an idea with some merit. Within two months, Goldsearch had 'gone dot.com'. It announced it was taking a 10 per cent stake in a technology company, Practical Treasury Systems (PTS). The ASX statement said little about the company, other than that Practical Treasury Systems produced software systems for corporate treasury, banking and stockbroking sectors; Goldsearch's cash would go towards furthering that company's ambitions for an initial public offering. Goldsearch and its shareholders would, without question, at such a time be offered the chance to take advantage of this investment opportunity. It was a $300,000 bet on the power of a boom.

That wasn't to suggest that Practical Treasury Systems had no merit. Two stockbrokers and one futures broker used its trading system. Its corporate treasury package was in use at the not-insignificant News Corporation, Boral and Esso. It was just that Goldsearch had little or no control over its investment. But that mattered little. Another general meeting was called and Goldsearch was NL—meaning no liability—no longer.

By January 2000 the stock exchange was calling to find out why Goldsearch shares were peaking at a time when most sensible stockmarket types were at the beach. Within a month Goldsearch had another internet deal up its sleeve. It announced a deal with a NASDAQ-listed company, VisionGlobal Corporation (VGC), to use its wireless router technology in Austra-

lia, Indonesia and New Zealand. Wireless routers came into use in the 1980s and were hardly cutting-edge technology. Still, the combination of wireless technology and a NASDAQ listing was more than enough to rev any stock.

Goldsearch had, within its management and board ranks, little expertise relating to the activities of either PTS or VGC, but that wasn't enough to stop them putting money into them. The investments were, purely and simply, opportunistic—like the times themselves. The Goldsearch board set out to take advantage of a stockmarket boom, and it did so admirably.

A year later Goldsearch was still sticking to the idea of a float of its wireless router technology licence investment. But this plan was obviously moving much slower than expected and so it had extended its agreement with VisionGlobal. Three months later it was still waiting for a float underwriter.

Five months later the Goldsearch board had decided to return to its conservative roots, and issued the following statement: 'The directors of Goldsearch Limited advise that due to the downturn in the technology and communications industries and the consequent uncertainties as to current values, together with a decision by the directors to realise the company's non-mining investments, they have decided to take a conservative approach in the accounts for the year ended 30 June 2001 and provide $170,668 for diminution in value of the expenditure under the agreement with VisionGlobal Corporation and $588,172 for diminution in the value of the investment in Capital Markets Internet Exchange (CAPIX) Limited [formerly Practical Treasury Systems]. These provisions represent the full capitalised expenditure to date on both investments.'

The collapse of Goldsearch's internet foray and a twirl through the HIH royal commission did little to dent Landerer's high-profile position in the community. On the first Sunday evening in June 2001, more than a year after the dot.com bombed, Landerer invited 350 of his nearest and dearest to the Stamford Plaza Hotel—well known due to rock singer Michael Hutchence's untimely death there in 1997—in Sydney's Double Bay. The glittering interior of the ballroom was outmatched only by the dazzling array of diamond-encrusted matrons dotted throughout the room.

On this night Landerer was to be awarded the gold medal of the community service group, B'nai B'rith, one of only seven Australian recipients at the time. Previous recipients had included former Australian prime ministers Malcolm Fraser and Bob Hawke. Indicating Landerer's level of influence, among those paying tribute were the nation's solicitor-general, David Bennett, and the country's second-richest man, Frank Lowy.

Landerer and Goldsearch weren't the only ones attempting to take advantage of the internet boom. In fact, some of the most exciting resources-style companies trading on the Australian Stock Exchange were clever enough to embrace the internet at the turn of the 21st century—companies such as Ocean Resources, Union Mining, Yamarna Goldfields, Greenchip Resources, Walhalla Mining and Magnet Metals became overnight experts in mining the stockmarket for cash. It didn't matter that they had far less luck in unearthing commodities like gold and diamonds.

The chap in charge of Yamarna was Bryan Frost, an expert in market trends. Frosty, as he was known in those types of

investment circles that dole out nicknames, had supreme skills in unearthing impossible deals. He'd gained that experience during the prime deal-making era of the 1980s and, lo and behold, a decade later those times had now returned.

Before the internet, Yamarna had just about as much going for it as the place it was named after; Yamarna was not even a town, it was more just a station in the backblocks of Western Australia, near an Aboriginal reserve called Cosmo Newberry. Frosty and his counterparts were not the sort of company directors to make a fuss about their abrupt change of direction, but by February 2000 Yamarna's shares had jumped to 20c, an attractive investment and definitely more attractive than the 4c they had been at the end of 1999.

The advantage with a stock like Yamarna was that it didn't always need to rely on stock exchange announcements for the market to know what was going on. But of course an official announcement did follow the surge in Yamarna's share price when the company unveiled the brilliant news that Frosty had beaten off competitors to gain the right to a website called Laugh.com.

This was a great deal. The price it had paid for a minor share in this online comedy website business was a paltry $US2 million, plus a sweetener of just over 10 million Yamarna shares. This was an extraordinary investment, because the $US2 million and the truckload of shares bought a mere 19.5 per cent slice. But then again, the act of buying into Laugh.com also gave Yamarna the opportunity to raise some cash to pay for it. Any investor would have been crazy to turn down an opportunity to buy the old gold-prospector's shares at 18c in a placement that April.

The beauty of Laugh.com was that it was a business that was hard to replicate. Where else would you find a company

boasting an ageing comedian, a venture capitalist specialising in the internet and an executive with family connections to comedy? Laugh.com was the brainchild of 60-something American stand-up comedian George Carlin, whose eponymous show had hit the Fox network in 1994. As it turned out, it was a real stroke of luck when Fox axed it a year later, because it gave Carlin the opportunity to unleash his comic talent on the internet-viewing public.

The second partner was Marshall Berle, whose key benefit to the company seemed to be that he was the nephew of the famous comedian and television host Milton Berle. Carlin provided the content. Myron Gushlak, the venture capitalist, was behind the listing of a US website called Emusic.com and he organised for Laugh.com to get a priority placement on Emusic's properties, which included a *Rolling Stone* magazine portal.

Why would a tinpot like Yamarna Goldfields bother with gold when it had such a fabulous option with laughter? Selling a precious commodity like giggles over the internet had to be easier than mining gold in Western Australia and undoubtedly had the potential to be more profitable. Frosty and the Yamarna board were surely just being conservative when they warned that it was likely that Laugh.com would lose money before it would make any. But that was hardly a reason not to invest.

Yamarna then announced that it proposed listing on the NASDAQ. So attractive was Laugh.com that Frosty figured that NASDAQ investors would be willing to spend far more than the previous value of 18c a share in order to get a stake in the comedy website. And that's what he told shareholders. Two months after Frosty announced his planned NASDAQ listing, investors appeared about as likely to invest in a comedy website as Carlin was to find a spot on national television. By August

2000, three months after the dot.com bombed, Frosty and co. were letting shareholders down gently. The Laugh.com website had taken three months longer than expected to come to fruition—and it was expected to take as long as another two months. The punchline, however, came as Laugh.com's much touted relationship with Emusic.com was negated through a new agreement with another company called Everad.

It was fortunate that, in the business of mining the stockmarket, there was always the old standby—mining exploration—waiting in the wings. It was this business that once again consumed Frosty. Yamarna Goldfields—which hadn't had the time to organise, and now didn't need, a name change—went back to its original business, almost as if its foray into comic cyberspace had never happened.

Peter Munachen wasn't laughing as he formed his plans for his company Ocean Resources. He was entirely serious in his strategy for Goalmapper.com.

Munachen may not have had all the experience in market promotion that executives like Frosty had, but he could still claim something of a pedigree. He had originally been a partner in Stokes Munachen, the Kalgoorlie accounting firm later acquired by the national accounting network, Nelson Wheeler. In the 1987 stockmarket crash, along with his fellow partners Dominic Martino (who would become a fellow dot.commer) and Geoff 'Stokesy' Stokes (owner of the landmark watering hole, the Palace Hotel, in Kalgoorlie's Hannan Street), Munachen made headlines after Nelson Wheeler had been responsible for a valuation of a Perth merchant bank, Western

United, which landed it in hot water. Munachen was one of the six partners who were sued over the appraisal, even though neither Munachen, Martino nor Stokes had actually undertaken the valuation and Munachen had earlier left the firm. 'It killed 12 years of my life,' Munachen later reflected.

Western United had been taken over by Kia Ora Gold—later known as the Duke Group—based on the Nelson Wheeler valuation of between $100 million and $113 million. In a subsequent court case—brought by Duke's liquidator, Adelaide bloodhound John Sheahan—presiding Justice Edward Mullighan estimated the actual value of Western United was $6.5 million and found for Sheahan to the tune of $94 million.

Nelson Wheeler had worn its entrepreneurial credentials on its sleeve. Not only did it offer an accountancy one-stop shop to companies, its partners and employees took up directorships of its client companies as well as equity in them. Nelson Wheeler was particularly helpful to directors who wanted to remain anonymous because of conflict of interest issues—it provided nominee directorships and shareholding arrangements.

Munachen had long been involved in small mining companies digging around Kalgoorlie. His latest play, Ocean Resources, in spite of some success diamond hunting in Kalimantan, was ripe for a spin on the internet. At the end of 1999 interest in searching for minerals—either by investors and even the explorers themselves—had waned. The heavyweights of the mining and energy sectors were cutting their spending. Commodity prices had fallen, making deposits—in the rare cases where they were unearthed—less economically viable. Native title claims also slowed the process.

Goalmapper.com was a software package that allowed users to map their life goals—to 'discover or clarify your dreams by

creating your own goalmap' as its website boasted. If Munachen's interest in this venture was to give Ocean Resources's shares a boost, his strategy was flawless. Any internet venture—and the share price accretion it delivered its owners, even one less attractive than Goalmapper.com which appeared seemingly irresistible as a concept—would soothe any investor malcontent, making it easier to raise funds. Profits could be found later. For now, Munachen had something far more important—a business that stockmarket spruikers could relate to.

In February 1999 Ocean Resources announced its plans to buy all the equity in Goalmapper. By the time it came around for shareholders to approve the acquisition, the deal had changed so that Ocean would pay $2.5 million for the goal-setting website and its licence. Ocean's directors had high hopes. They estimated that the website's members, which were numbered at 1500 at the time, would swell to 450,000 by 2001.

Sadly, by September that year ructions on the NASDAQ had seen off the deal. Ocean, now re-named Bamuu Limited, called off the $3 million planned stock issue to fund the purchase of the goal-setting website—it hadn't made it as far as the final global meltdown of technology stocks, which would officially come the following year.

While Yamarna Goldfields had offered much-needed comic relief for society's stressed-out citizens and Ocean Resources had promised a goal-setting system to help lessen their stress, Walhalla Mining's efforts were a refreshing change of direction. It didn't offer advancement to society through the use of the internet; rather, it was through limiting its use. Walhalla

magically turned itself into Kidznet, which restricted travels on the World Wide Web for those too young to exercise judgement.

Shrewdness was something that Chris 'The Golden Greek' Kyriakou specialised in. He was an enormously experienced stockmarket miner with a finely honed sense for the next boom. He had expertly ridden the waves of stockmarket madness back in the 1980s.

One million dollars seemed like little to pay for a filtering system that could be applied to the internet by concerned parents to prevent their children from viewing unacceptable material. And in defending children's wellbeing, it gave Kyriakou the opportunity to sell to them. If children used Kidznet for their internet browsing, then they would be potential customers for goods and services.

Kidz.shop was an associated children's shopping site which enabled children to buy from as far afield as the Middle East and Europe if they so wished, which presented Kyriakou with the opportunity to promote a children's credit card. And if children were sitting in front of a computer monitor, then why should they not be watching television or listening to the radio? Thus Kidz.TV and Kidz.radio were born.

In Kyriakou's opinion, children benefited from his vision—and so did Kyriakou's mates. Getting a benefit as well from the Kyriakou's Kidz empire was his business associate during the 1980s, the former *Australian Financial Review* journalist John Byrne.

Byrne's company, Deepgreen Minerals, had been just getting by financially for years. It was in an unattractive and difficult business—coal reclamation—in the United States. However hard you tried, it was difficult to see coal reclamation as sexy. But one of the great benefits of a company having a lacklustre performance

is that its share price can become completely depleted. In boom times this means that any movement in share price is potentially a big one. When a company like Deepgreen has shares trading at $0.006, a rise of $0.008 to $0.014 is quite dramatic, even though in truth it is still trading for less than 2c a share. With that kind of gain, everyone wanted in. More than 30 per cent of Deepgreen paper changed hands in a single week in the middle of April 1999. While warning bells rang in the bowels of the Australian Stock Exchange, Byrne's explanation was beautifully simple: Deepgreen's sudden good fortune was not due to anything fundamental in its operations—its shares had risen meteorically because of its minority investment in Kidznet.

Of course, the question had to be asked: Why would a company change its business altogether, when all it needed was a minor investment in an internet-styled business to see great shareholder returns? To get the benefits from this technology boom, you didn't even have to be in the business. And when the going is good, why not keep going? That's exactly what Kyriakou had been doing.

He had found a new prospect, one that he thought was unquestionably a great business idea—a tracking technology that had been developed by British Aerospace Australia. The plan was to install small black boxes into the bottom of cars so they could always be tracked. Sydney's premier luxury car dealer, Rick Damelian, loved being able to offer drivers of Lamborghinis and other makes a security system to protect them in case their vehicle was stolen. The beauty of the technology was that it operated on radio waves so it even worked inside buildings. It could also be connected to a car's electronics so that, if it was stolen, the doors could be locked and the engine turned off from the head office. Police loved it because

they could simply sidle up to the car and extract the thieves. Eventually insurers began to refuse to cover vehicles like Porsches and Ferraris unless they had a vehicle tracking system fitted.

Lennard Oil, one of the tiddler prospecting companies Kyriakou controlled through a major shareholding and board seat (he had a stable of them with performances as uneven as most racehorses) bought the rights to operate the technology for 30 years in Australia from Kyriakou in 1995 and went on that year to make a number of significant revisions. Lennard Oil changed its name to Quiktrak, it rearranged its board to include former BHP director Sir Eric Neal, former astronaut Dr Paul Scully-Power and developer of the technology Dr Michael Yerbury, and it completely altered the nature of its business.

The technology was good—Kyriakou had the investors to prove it. Lawyer cum investor Theo Onisforou, whose lengthy service under Kerry Packer had helped propel him into the investor big league, also had an interest in Quiktrak via Strategic Pooled Investments, the investment business Onsiforou controlled along with former Melbourne stockbroker Andrew Kroger. Kyriakou stuck to the rule that you look after those closest to you—Strategic Pooled Investments bought in at 6c in a share placement, compared to the then trading price of 7.6c. Another of Kyriakou's mates, Andrew Kelly of Strathfield Car Radio fame, clambered on board in another cheap share placement, for even less—4c. Car dealer Damelian liked the technology so much he also bought shares. Like Onisforou, Damelian was a regular on Sydney's Eastern Suburbs cocktail circuit.

Quiktrak's shares were putting the stock exchange's monitoring system through its paces. But Kyriakou was a model of

market disclosure—expertly feeding shareholders a healthy and regular diet of positive news, from updates on technology advances to the idea of using the tracking technology for prisoners instead of automobiles. Rumours flew that Quiktrak was linking up with a big domestic car manufacturer.

Quiktrak went on to make a failed attempt to buy another technology concern, Zylotech, makers of video surveillance technology, and in 2004 the corporate undertaker was called in. Quiktrak was lobbed into administration and within four months the business had been sold.

But this wasn't the last that investors saw of Quiktrack. Less than a year later the company was recapitalised and relisted with the new owners of the old Quiktrak business emerging with control of the company. They didn't have much luck either—by 2008 the company was delisted from the stock exchange for failure to pay its annual listing fee and again liquidators were appointed. In 2009 Quiktrak's Australian assets were bought back by interests associated with the former managing director, a fellow called Mark Pallister. At time of writing, long-suffering shareholders in the public company are yet to receive anything.

Kyriakou moved his young family to London, where he and his long-time business partner John Byrne returned to the halcyon days of the 1980s, their playing field London's Alternative Investment Market, rather than the Australian Stock Exchange.

It was 1999 and if there was ever an indication that brighter times of the 1980s had returned, it was the the arrival of Yosse Goldberg and Ron Wise into the midst of the stockmarket.

Goldberg, who had been overseas for a decade licking his wounds after the collapse of Western Continental in the 1987 stockmarket crash, had managed to find a gem of a business to expatriate back to Australia. The 1980s were now a distant memory and the boys had just the shell they needed.

Cape Range Energy had seen livelier times, but its new deal with a company called Arcadian gave it local rights to what was called IPMA technology. This highfalutin name essentially meant the company sold wireless local-loop technology. In plain English—which wasn't much spoken in these boom times—it meant people who would otherwise have no access to the World Wide Web, such as those in the Australian bush, suddenly could. Sadly, Arcadian didn't have exclusive rights to this technology, but at least it could say that it was in on something that plenty of others were in on too.

Stock exchange announcements followed. It was now February 2000 and Cape Range announced it had bought a 20 per cent slice of the Silicon Valley company Arcadian Wireless Inc. This was very exciting for Cape Range, which claimed to have a major telecommunications player signing what it called a 'certification agreement', but it did not offer a comprehensible explanation of what this meant. It also neglected to mention the name of the telecom—but that didn't seem to matter to shareholders. Perhaps it was just a simple oversight, or perhaps it wasn't in a position to do so. What shareholders did know was that there were potential deals in the offing worth more than $US300 million to Arcadian. Luckily, its shareholders were highly invested in trust—they didn't know where the deals were coming from, but they strongly believed they were coming.

And, as Ron and Yosse knew very well, they just needed an idea and a plan in order to be able to begin riding the stockmar-

ket again. Arcadian gave them just the impetus they needed to float Cape Range on the NASDAQ for a cool $US20 million. They planned their assault on the NASDAQ for 2001. Sadly, that was to be long after the dot bombed. They already knew the ropes—in the 1980s they had temporarily wowed investors with RanData, a company that specialised in selling encryption technology to the communications industry.

Like Kyriakou, they also knew a boom like this couldn't last. So they too found another internet investment. StreetSpace was just the kind of business that blokes like Goldberg and Wise liked—they could see it going global, which in that market was a euphemism for raising, or even making, big bucks. It would meet the technology needs of the great unwashed by placing computer screens in busy places like fast-food outlets. StreetSpace had convinced McDonald's of the merit of its plan and had an arrangement to supply all the company's restaurants in San Francisco with free email setups and other add-ons such as access to websites—websites of StreetSpace's choosing. The only catch was that it was a trial arrangement.

After Cape Range bought 10 per cent of StreetSpace, the boys were away—its shares, which had been in the doldrums in 1999 at about 2c, were trading at 77c by March 2000 as the dot.com boom neared its zenith. By the following year, plans for a NASDAQ listing were looking considerably less bright: its shares had fallen to 10c.

Cambridge Gulf Exploration could hardly be accused of not having substance. Why, it had found diamonds in Australia's

far north! Those diamonds were not, as it turned out, on its lease, but that was just bad luck.

Putting up a fight over the diamonds took time, however, so it was not until May 2000 that Cambridge could really devote itself to the new boom. Which is a shame, as by this point the boom was showing distinct signs of slowing down, if not stopping altogether.

It wasn't that it had decided against taking part in this internet boom. Indeed, in December 1999 its shares had been suspended ahead of its proposed takeover of the cable installation company UDC Group from the private company Wainter Pty Ltd—and they remained suspended for more than a year. Undeterred, Cambridge's board, headed by Leon Musca (otherwise recognisable as Laurie Connell's former lawyer), was nothing if not positive and trudged on regardless with its plans to take advantage of the boom.

Diamonds now out of reach, Cambridge Gulf reached out to another glamorous industry: nightclubs. Cambridge proposed to build a host of virtual nightclubs and to broadcast local and overseas musicians over the internet into them. Unlike the diamonds, which did exist, these virtual nightclubs hadn't actually been built. But then again, actuality was not always important in this boom—or bust, as it may have been by then.

The Cambridge board proposed spending $5.5 million to buy UDC. It also had enough belief in the deal to hand over two-thirds of its equity in return. Cambridge made it easy for its shareholders—there wasn't too much information to absorb. UDC itself was a relative unknown, certainly in terms of profits. The independent expert hired to give its perspective on the UDC deal went so far as to say that the company would have to accept negative cashflows of between

$20 million and $40 million if it wanted to build its nightclubs as it envisaged.

Clearly, making UDC even more attractive to Cambridge directors were its net assets—a whopping $50,000. While others may have been circumspect about a company with negligible assets taking on tens of millions of dollars in debt, these Cambridge Gulf directors had faith. Nightclubs, virtual or not, were wonderful playthings.

Along the way, Cambridge changed its name to Cable & Telecoms, deliciously close in name to the UK telecom giant, Cable & Wireless, and not to be confused with that other company batting in its league, Broadband & Wireless. But it was a surprisingly happy ending for the former diamond explorer—by September 2001 its still suspended shares were taken over by listed telecom hopeful, NewTel.

During this time of daring deals and chameleon-like corporations, every now and then there was a whisper of discontent, followed by accusations that these companies were vainglorious and lacking in substance. Yet substance was an overrated quality in a stockmarket boom like this, and company directors who found something for avaricious investors to get excited about—no matter what it was—were, it had to be said, just catering to their needs. Then there were those internet-style start-ups that had very good ideas, but ran out of the cash to live up to them.

The gold chain-laden Vladimir 'Roger' Nikolaenko had been mining the stockmarket for long enough to know a greedy investor. So when mining the internet offered better returns

than digging in the Western Australian dirt, Nikolaenko was more than happy to oblige his investors. But Nikolaenko's Nexus Minerals would have to wait until January 2000 for that opportunity.

MTIC was a private Perth company run by three young technology gurus: Adrian Floate, Russell Miln and Andrew Mann. As Trevor Sykes, aka Pierpont, pointed out in the *Australian Financial Review*, they believed they had found a means of ensuring payments over the internet were secure. Nexus offered to buy MTIC for a forest of paper—about 20 times its issued capital. And the technology wasn't all Nexus bought—thrown into the deal was the 26-year-old Floate and his colleagues.

Floate was important because he was even more upbeat than Nikolaenko. Nexus shareholders, whose stakes were being diluted beyond recognition, needed to hear good news, and that is what he gave them: the revamped Nexus was going to be a global leader in the e-commerce sector—no, make that a *dominant* global leader in the e-commerce sector.

Nikolaenko was downbeat by comparison. He merely talked about Nexus in terms of it becoming Australia's leading software company. But at least he said something, because that was about as much detail as investors were given to go on. Any real numbers were clearly a treat that had to remain locked in the pantry until after the deal had been done—a deal that could increase its share price by more than 20 times.

And the technology was brilliant. It wasn't relying on a simple website; it was offering security for all those people who wanted to use the World Wide Web. It used the so-called SET protocol established by Visa and MasterCard, which was apparently even more secure than the alternative SSL protocol which was widely in use.

So Nexus moved to its next incarnation as IPT Systems. Sadly, there didn't appear to be much of a system in reality—only months later, the market would decide the internet was over as quickly as it had begun, and Nexus's investment no longer looked nearly as interesting. Its technology division, MTIC, was suddenly having difficulty finding the amount of cash needed to fund its global ambitions.

Nikolaenko, meanwhile, being a flexible chap like many of these resources types, decided that digging dirt was, after all, more attractive than mining the internet. It paid $2 million for part of a mining plant from a company called Plato Mining. At least he could tell IPT (née Nexus) shareholders that he knew more than a thing or two about Plato—he had an interest in it.

What followed was a sad but all-too-common tale of what can occur when a boom busts. Views differed on whether IPT ought to return to mining. Nikolaenko found his only two other board members unusually disagreeing with him. Approaching the end of 2000 MTIC—which was being run by its original team and had to ask for budgets to be approved and capital to be handed over, even though it was really a division of IPT—had run down its cash. Nikolaenko had no desire to spend any more money pursuing a global ideal with profits years away, which was hardly an attractive timetable for a fellow in a hurry.

Facing no better choice than to call in the corporate undertaker, MTIC did just that. It appointed dot.com expert Ferrier Hodgson as its administrator. Not at all pleased, Nikolaenko decided he would rather put MTIC into receivership—in so doing he would at least preserve some sense of having control of his internet experiment. At the same time, he kicked out Floate as managing director. Just to make it clear how he felt, IPT then promised shareholders it would go to court to

investigate the representations the MTIC people had made to Nexus back before the boom busted.

What Nikolaenko and IPT's chairman Patrick Lyons hadn't accounted for was the capacity of a 26-year-old to make a comeback. Floate, with the backing of just enough shareholders, decided he was going to rid IPT's board of both Lyons and Nikolaenko. Nikolaenko, realising quickly that the tide was turning, exercised one of his greatest skills, his gift of the gab, and did what the majority wanted—he paid all of MTIC's creditors out. Everyone was happy. IPT agreed to pay Floate $250,000 annually for three years for services rendered. It also agreed to pay Nikolaenko $300,000 annually for five years (presumably the extra $50,000 was tacked on as a mark of his seniority, or perhaps it was for his flexibility). MTIC was advanced $2 million for its internet endeavour.

The deal wasn't to last. One of the three MTIC founders, Russell Miln, engineered a board spill. The new board negotiated a truce with Nikolaenko, which saw him keep the deal to buy said mining plant and float it off—but only temporarily. Nikolaenko and his deals were eventually seen off. The new board also reinvestigated the original MTIC deal. And in a rare win for companies that had bought assets at high prices in order to take advantage of the internet boom, it negotiated for Floate and Mann to hand back to the company all the shares they had received in return for selling their stake in MTIC—a total of about 67 million shares. Miln handed back one-third of his 33 million-odd shares.

But Miln stayed around to help run the technology business. IPT also bought the remaining 20 per cent of MTIC that it didn't own for a mere $150,000, which was less than it paid for 80 per cent of the company when the initial deal was struck.

Many accusations of short-termism have been shovelled at junior explorers who turned to mining the internet. But Magnet Metals could legitimately claim to be the first to take this new direction, and to be one of the rare stayers. From Central-African exploration, this minnow turned to digital surveillance equipment. Magnet, which became known as Zylotech, had technology which allowed its customers to monitor whatever their cameras were pointed at, resulting in film-quality moving images over the internet. And it was still in the same business in 2010, though it took a dive through administration in that year, to emerge with its financials de-cluttered.

Then there were peripatetic miners who become stockbrokers, who became miners, who became technology players. Like stockbroking analyst Chris Baker, who began his adult working life in the exploration industry. He furthered his reputation as a stockbroking analyst at the then Sydney-based investment firm BZW, but on the side he continued his interest in the mining game. Michelago Resources arrived on the Australian Stock Exchange to a great deal of interest generated by its crew. Together with fellow analyst from ABN Amro, Garry Duncan, and explorer Sam Lees, Baker pulled together the $5 million Michelago float.

The New South Wales geological formation known as the Lachlan Fold Belt was Michelago's playground in 1996 when it listed to a surprisingly poor reception—at least, it was a poor reception for a company backed by stockbrokers with, as their clients, a group of investors with a radar for hot stocks: the Swiss.

Three years later it was still looking for a share-price pick-me-up. Knowing their way around a stockmarket, the

Michelago directors turned their minds to the technology boom that had taken hold of the market and many small capitalisation stocks. With great imagination the board latched onto a company which had exposure to both the minerals industry and technology. And it maintained its exploration assets. It was a tremendous example of how to take advantage of two potentially booming industries—and not necessarily at the same time. The on-off fervour for exploration stocks was currently off, but technology was running hot. Michelago decided to buy a company called Stock*Man in November 2000. As the name suggested, it had developed barcode-scanning technology to be used in managing inventory. There were big names using the technology, including the giant BHP Steel, but Michelago wanted to attempt to sell it to small and medium-sized businesses. It also planned to fit the technology to the internet for its users. Changing its name to Michelago Ltd at the end of 1999—that is, dropping Resources from its title—helped it in its efforts to fence-sit. Golden China Resources took it over in 2006.

But the common experience of such companies at this time was most stunningly exemplified by that of Merritt Mining. Merritt had been digging around the old workings of the mighty Western Mining Company's Leinster operations for years, and its dwindling share price had long been a cause of consternation for its directors. If only they had realised earlier where the problem was: the only lift its share price needed was a bit of spit and polish. Once it announced it had appointed a corporate advisor to investigate opportunities related to the internet, its share price resembled that of Western Mining itself.

FOURTEEN

A stampede of white-shoe'd behemoths

Queensland's white-shoe brigade of businessmen and West Perth's internet-enabled explorers weren't alone in their mining of the new technology. Apart from these mere mortals there were the enduring, traditional stockmarket players, who took the prospect of the internet and the vast riches it could offer all very seriously. There was nothing flippant about a quick buck.

Dick Dusseldorp founded the project management, construction, real-estate investment and development company Lend Lease in 1958. Forty years later that company was onto its third chief executive, David Higgins, who joined the company in 1985. Judging by outward appearances, the bespectacled Higgins could not have been more different to the dynamic creator of the company. Higgins had cultivated the

physical appearance of a university academic and thus earned the nickname 'The Professor' inside Lend Lease. But, as with Dusseldorp, there was an entrepreneurial spirit that pervaded Higgins' actions. Under his guidance the company went about becoming what it grandly called a 'global, integrated real-estate business'. Not only did the company go global, but its people did too. Higgins moved to London to run the company in 1999. The best-selling author Jill Ker Conway, who became chairman of Lend Lease in 2000, may have been an Australian by citizenship but she had been ensconced in US academia since 1975, when she had become the first woman president of the prestigious women's university, Smith College.

As Lend Lease expanded geographically, it also stretched its risk profile. With Higgins in charge, the company bought into the internationally acclaimed, much sought-after business of coupons. In their simplest form, coupons are those bits of a newspaper that can be snipped out and used to buy, among other things, groceries at a discount. Famously, at one time both Kerry Packer and Rupert Murdoch had invested in this old-tech business in the USA and competed fiercely with each other in that market.

Lend Lease bought into a Chicago coupon business which operated in that new-fangled estate they were calling the internet. Internet coupon businesses were popular, coming of age at around the same time that web portals—online sites which acted as a central point for a diverse amount of information, also known as link pages—were all the rage. But, to put them in context, they predated the enormously successful auction websites such as eBay.

Lend Lease bought 10 per cent of Coolsavings.com for $US5 million, with an option to take another 20 per cent, in

July 1998. Coolsavings itself had set up shop in March 1997 in an attempt to take the market for coupon shopping away from printed brochures and onto the internet. By April 1999, after making a series of capital injections into Coolsavings, Lend Lease had essentially paid $US18.5 million for 10.6 million Coolsavings shares, or about 30 per cent of the company.

The concept behind the investment was that an internet coupon business would draw customers to Lend Lease's shopping centres. Customers could browse through the retailers' online catalogue, buy a coupon for, say, a pair of shoes, and then go to the shop to pick up the item. The attraction to the customer was that the coupon guaranteed the item was bought at a discount to the shop price. There was also the benefit of being able to go and try the Merv Hughes on, to check for fit and feel. Lend Lease and others loved the concept because they could imagine that their coupon customers—once they were in the attractive surrounds of their shopping centre—would succumb to one or more impulse purchases.

One of the results of Lend Lease's investment in Coolsavings was that several executives also took stakes alongside their employer. It was always good for professional investors to see that the company bosses had skin in the game. Among them was Lynette Mayne, the wife of the former Lend Lease head Stuart Hornery, who was, coincidentally, running the property group's technology investment arm at the time and which just happened to lead Lend Lease into the Coolsavings investment.

The Coolsavings' board boasted three Lend Lease executives on its board: Mayne, Albert Aiello and Robert Kamerschen—and the intuitions of these Lend Lease executives were finely tuned. Coolsavings profited from having a global, integrated real-estate player like Lend Lease on its register. It was

certainly not the intention in making the investment but one of the side effects of Coolsavings was that Lend Lease executives' hip pockets stood to gain from investing in such a promising business with such a prominent backer. They also, however, stood to lose if their technology strategy went astray.

Sadly, it began rapidly to appear that Lend Lease itself had fallen for an impulse purchase. It wasn't that coupons weren't a successful concept—supermarkets and the like continued to drop free brochures into letterboxes in an effort to lift sales of broccoli and other groceries. It just didn't work quite so well for a global, integrated real-estate business, which was using the broad base of the internet instead of well-targeted mail drops.

The much-looked-forward-to NASDAQ listing of Coolsavings was postponed because of the NASDAQ meltdown. It didn't make its listing until May 2000, when the shares were priced at $US7 each, and in subsequent years it failed to live up to that price. The coolest savings in the end were made by two Lend Lease executives. Mayne and Aiello had loans with Coolsavings in the form of promissory notes which were used to pay for their shares. These arrangements, worth $US134,000 each, were forgiven in July 2001. It was a shame Coolsavings didn't offer any of that same generosity to Lend Lease proper. Lend Lease reassessed the value of its investment, writing down $40 million from its internet foray, mostly relating to the cool coupon business with the frozen profits. Finally, it sold out of Coolsavings for an uncool $US1.4 million in 2002. The value of Coolsavings had been written down several times during its ownership to a value of no more than it was finally sold for—and less than 2 per cent of its original book value.

Eventually Lend Lease's 'Professor' Higgins was to succumb

to shareholder rage and regret. The internet strategy hadn't helped, but worse still was the $US15 million it paid another US executive, Sheryl Pressler, for her barely 12 months in the job. In fact, the US was an unmitigated disaster for Lend Lease at the time and buying up the construction giant Bovis in Australia hadn't helped.

Ker Conway eloquently explained away Higgins' departure as being better for the company because he simply wasn't an individual who enjoyed the nuts-and-bolts running of the business. He was far happier in the rarefied, adrenalin-pumping world of international deal making.

Lend Lease wasn't the only large Australian public company trying to forge a presence on the internet. The shopping tsars at Westfield had come up with a concept they called an internet Shoppingtown in 1999. The idea was to attract buyers to the shops, cinemas and restaurants in their plentiful shopping centres. Yet a decade after its inception Westfield's shopping centre websites were little more than an information site for addresses, contact details and opening hours. Individual franchises who rented their premises from Westfield had their own online presence, but the biggest success was in cinemas. The public liked being able to book tickets online, saving the need to stand in long queues, and they appreciated being able to reserve their seats over the internet.

Australia's banks are among the most staid businesses in the country. Yet inside many a sedate banker at this time was an e-entrepreneur itching to emerge. These chaps were more seduced by the dollars that could flow from this new economy

than most. Given their old-economy ways, it might have been thought that they were more alive to the adage that money doesn't grow on trees, nor on internet sites.

But the National Australia Bank, under Frank Cicutto, was ideally positioned for a mosey through the new economy. The chief executive already spoke a language few could comprehend without translation—Cicutto was a management speaker second to none. He would have been at home in any MBA class from Harvard to Stanford. To accentuate that point, NAB called its new technology investment arm O2-E. Picking up the new dialect of the internet was not going to pose any difficulty at all.

O2-E invested in B2B (business-to-business) company Peakhour and the smartcard joint venture, Mondex. A less-than-staid cash injection of $10 million was made in the rural business Farmshed. It appeared to be still flushed from the boom-time—it made these investments after the April share-market rout that wiped out pretty much any positive sentiment surrounding the internet.

Not even Cicutto's fabulous management-speak could explain away $45 million in write-offs from NAB's technology arm in 2002. Neither did the fellow at the pointy end of its technology investments have much to say; O2-E chief Glenn Barnes retired from the bank at the time of the writedown. Another bright spot in the bank's technology adventure was its investment in John Maconochie's electronic trading platform business, which ended up in a $50 billion court battle over an alleged breach of contract to develop the platform.

Thankfully, Cicutto's entrepreneurial spirit was far from dented. On his retirement from pillar banking, Cicutto put his name behind the real-estate management business Run Corp.

He had left NAB after taking the fall for the dud investment Homeside mortgage business in America, which had been actually put in place by his predecessor Don Argus. Cicutto later backed out of Run Corp quietly when its profits didn't live up to the company's name.

NAB could at least take solace from the fact that it wasn't alone in investing heavily in internet-styled businesses. In 2000 Westpac spent $45 million buying up half of e-procurement firm Intelisys, making much of the cleverness of companies grouping together to buy goods on the internet and thus creating a syndicate to compete against suppliers in order to drive prices down. It then changed the name to Metiom, which was perhaps slightly more pronounceable but hardly more descriptive. No doubt due to its wonderful success it then changed the name again—to Qvalent. It also bought out the remaining half of the firm for a sliver of the original investment and then set about writing down the outlay by $17 million in its accounts. Chief accountant Phil Chronican joked at the time: 'I hope the latest name change will be the last for a while because the stationery bill is getting high.'

Another bank, St George, had a majority interest in Wealthpoint—a financial services amalgamation which included the website Bourse Data and the day-trader favourite Hot Copper, plus the funds-management research business Assirt. The bank initially valued this business in its books at $1.20 and then, in 2002, made a move to mop up minority stakeholders at 60c a share.

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FIFTEEN

A recipe for success

Despite the banks' less-than-glowing technology-related ventures, there were some investors who would have to make a really big effort to fail when they stepped outside their traditional areas of investment. No matter how it was examined—financially, psychologically, or even reading the small print—the Packer family's internet venture was always going to be a success.

It helped when floating a company to have the backing of the then richest bloke in the land. It didn't even matter if that bloke couldn't tell a website from a blackjack table—he knew the value of money in the hand. And Packer knew he needed an excellent recipe—and, hey presto, he found one. Titled *How to Float a Promising Internet Venture*, it went something like this:

Take one existing business, to provide cashflow. PBL's Ticketek would do just fine for this.

Add a partner who knows a damned sight more than you do about this new technology universe. So far so good—Packer had the gargantuan Microsoft Corporation onside.

Stir in one new-fangled internet business at the top of its game. This was easy. The Packer project included the ninemsn web portal, which boasted a 55 per cent share of all internet users.

Combine with a business with true blue-sky potential. Packer had just the thing: a local joint venture with the overseas runaway internet success, online auction site eBay.

Mix well with a group of avid followers of the type of information you are putting out there. Tick! PBL had a wide customer base from its television and magazine businesses.

To ensure the shares rise well, set stockmarket temperature to 'very hot'. It was the height of the internet boom, so no problem there.

Once ready, place on solid foundation. Sensibly, Packer planned to sell only 20 per cent of the company.

Let the aroma waft to the noses of gathered family and friends, to stimulate hunger. At the float, shares weren't offered to the public, only to institutions and existing customers of—wait for it—one of Packer's very own businesses.

Present the venture as attractively as possible. The name of the game in media was cross-selling between television, magazines and internet.

Ensure that you get your own large slice of the pie. The Packer family's private company, Consolidated Press Holdings, crystallised its previous investment in the Ticketek ticket-selling business when it sold this business into its new internet float for $52 million.

Finally, give the dish a suitably razzy, new-age name—ecorp!—*and serve hot.*

Once these steps were followed, all Packer had to do was wait while enthusiasm for the offering built to bursting point. Again, it helped that the number of shares was restricted and only sold to people who knew people, so that everyone else felt left out. These less well-connected people would then do virtually anything, including throwing their hard-earned dollars about, to buy shares in the new float at stag prices after listing.

In other words, the Packer clan's go at the internet ticked all the right boxes.

It had been 1998 when speculation first began to filter through the market that the Packer family's public company, Publishing & Broadcasting, was going to float a small part of what it had called PBL Online, an internal division of the company. It waited until February 1999 to make a brief public reference to float plans. It waited again until April 1999 to raise the plans again before finally formally outlining its preparation to list the $800 million company in June. The suspense was enough to get even the most risk-averse retiree excited about the prospect of getting their hands on some of the stock—if they were lucky enough to find themselves in that exalted position. To be eligible to buy shares one either had to be a client of Merrill Lynch or Goldman Sachs, who had convinced ecorp they had just the right amount of nous to float the business. Or, most cleverly on the part of ecorp, you could get some of the sought-after shares if you happened to be one of the clients of its very own online share trading business. Ecorp had paid $13 million to buy Online Broker Trading in April.

It also helped that it had a couple of touchy-feely individuals in charge of the new-age venture. The pair, Daniel Petre and his 20-something offsider Jeremy Phillips, were highly skilled in that very specialised and rarely practised corporate

art of under-promising and over-delivering. No doubt also of assistance was the fact that these touchy-feely types were being issued with options that could total 5 per cent of the company's total capital. They appeared to be worth it.

Petre, ecorp's executive chairman with a $1.5 million pay-packet, made it very clear in April 1999 that the company would not be listing before July. It offered shares in May 1999 and came on the boards the very next month. All this amounted to just the right atmosphere, just the right amount of stock and just the right amount of hype for ecorp shares to surge when they came on the market on 15 June 1999. Appreciating the happy state of affairs were Petre and Phillips, whose escrowed options were worth more than $60 million within days of the company floating.

A booming stock price was always a happy situation for investors. In that environment the last thing investors who bought into the float were concerned about was that they had paid $160 million for their 20 per cent stake, while the Packers' listed company, Publishing & Broadcasting, had paid not quite half that figure—$86.5 million, in fact—for a stake which was four times the size of their own.

Such anomalies were easily overlooked when everyone was rolling in cash. Nor did investors seem concerned about paying nearly 15 times future earnings for their shares. It was 10 times what most other internet companies with revenue were worth. (Though, of course, internet companies with revenue were few and far between.) In comparison to the Ticketmaster business in the US, which was selling at more than 20 times future earnings, ecorp was a steal. And no one, apart from a few fussy fund managers, appeared to be too bothered that ecorp was predicting losses of $20 million in its first year.

PBL had been reimbursed for the money spent on Online Broking and in setting up the ninemsn joint venture with Microsoft to the tune of $34.5 million. Ticketek was sold to ecorp just after it had paid Packer's private interests a $9.9 million dividend. But while the Packer's private company had crystallised its investments through the ecorp float—it sold the shares it received for Ticketek back to PBL at cost—the listed company was heavily committed to the stock. With PBL still an owner of so much of the company, it was a fabulous incentive to make the business work.

Sensibly, PBL had included in the ecorp float the Ticketek business with its extremely valuable 80 per cent of the cashflow predicted for the company. Nothing else in the business was making anything like the kind of revenue of the ticket-selling business. Of course, Ticketek wasn't at that time an internet business. It had obvious potential to begin offering its services online, but at that point it was still carrying out its business over the telephone and through its shop fronts.

The money ecorp was making from its internet-styled businesses was relatively low. It was a company with $800 million in market value—due to the hype from its future trading in the new technology universe—but backed by a mere $5 million in revenue from that very universe. There were few words to describe this phenomenon, other than to say it was a stunning performance.

But, as effective as the Packer family was in influencing the performance of Australian stocks, its power to control overseas markets was limited—it was unable to do anything to prevent the sell-off in US internet stocks the day before ecorp listed. Most painfully, the US-listed eBay had fallen 18 per cent in trading the night before—the stock finished its first day trading

at just a 58 per cent premium to its listing price. Stockbrokers who had predicted that the stock would fly over $3 on its first outing on the stockmarket were sadly disappointed when ecorp shares failed to reach $2. Luckily, they didn't have to wait long for that to change.

Within three days ecorp was trading at $2.75 a share and again speculation was driving sentiment. This time it was gossip that an online gaming deal was in the offing and was driving ecorp's share price northwards. It also probably helped that the stag profiteers had disappeared from the trading screens, among them none other than one of Packer's top lieutenants, the head of PBL Enterprises James McLachlan. McLachlan realised about a $100,000 profit selling a swag of his allocation in the first days of trading. Yet suddenly ecorp was worth more than the traditional media businesses the Ten Network and Kerry Stokes' Seven Network.

Fast forward three years and, whichever way one sliced and diced ecorp, it was still losing cash. The promised date of profitability had been and passed. As Australia's greatest—or perhaps most real—contribution to the dot.com boom, ecorp was yet to fulfil its great expectations. Two years after the sudden interest from stockmarket investors in business fundamentals—consigning most internet-styled stocks to the doghouse—ecorp was still spending cash. Not that there was a surviving internet business in the stockmarket that would have turned up its nose at a powerful, cashed-up investor like Publishing & Broadcasting.

The reality had hit home to content providers that perhaps charging for some of their services was going to be necessary to turn a profit. Ecorp's joint venture partner, Microsoft, was pushing it to chase profits by forcing users to subscribe for their

content. Online advertising hadn't been the boon it had been hoped it would be.

Ticketek, ecorp's non-online business, was providing less of a percentage of total revenues—about 70 per cent as opposed to the 80 per cent it was generating at the beginning of ecorp's life. But who was complaining? Its eBay joint venture was profitable, as was its Wizard mortgage business, also part of ecorp's tidy little arrangement of assets. Despite its past problems, the company had $86 million in the bank, probably more than the combined cash of all the remaining strugglers from the dot. boom era.

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SIXTEEN

Big fat media profits

Harold Mitchell's internet float in 2000 should have been called *How to Win Friends and Influence People*. If this wasn't one of its purposes it was certainly an end result.

In the years leading up to his stockmarket foray, the affable Mitchell had already been doing an excellent job at winning friends in the media industry. His good humour was proportionate to his happy girth, which he regularly fed. His status among his peers was represented in later years by the fact that he dined with the who's who of commerce under a picture of his own self on the wall of Machiavelli Ristorante in Sydney's CBD.

Crystallising one's investment in an unlisted company—like Mitchell's media-buying business—without selling it outright can be a difficult prospect as there is nowhere to sell the shares. Floating part of that company on the stockmarket is one way to make this possible, but keeping control of the floated subsidiary

can be troublesome. Harold Mitchell and his investment banker, Melbourne blue-blood Michael Kroger, had great plans for the part of Mitchell's business that it wanted to float—emitch—and they must have amazed even themselves with their brilliant plan to manage all these factors in one fell swoop. Mitchell was as at home in the stockmarket as he was juggling relationships with the Packers, Murdochs and Stokes.

Kroger first approached Mitchell in April 1999, having long been an aficionado of technology stocks. He had for quite a while been throwing his money and time at a US software stock called Moldflow, which was due to list on the NASDAQ; its listing price would put around $30 million in Kroger's pocket. The emitch float was much faster—he had been working on Moldflow since 1993, emitch for less than a year.

By the end of 1999 Kroger had come up with the idea to float part of Mitchell & Partners—an e-commerce division that would be established the following year. The plan was that this would become Australia's largest advertising intermediary for the internet. The prospectus came with the requisite amount of blue sky needed to make the float a huge success, and anyone in advertising could see Kroger's plan was a promising one, given the current bull market. Importantly, Kroger's partial-float scheme would allow Mitchell to realise some of the value of his media-buying business without having to sell it or lose control. Mitchell agreed.

Kroger bought a package of shares in emitch for $16.70—in total. At emitch's intended float price of 50c he was about to realise nearly $12 million on paper from this trifling investment. His protégé, Ben Burge from JT Campbell, took the job as chief executive officer at emitch while his second-in-charge was another ex-JT Campbell banker, Jason Aldsworth.

Very quickly the idea was a reality and by September Mitchell & Partners' new e-commerce division was producing revenue, albeit in small quantities. The beauty of the plan was that the principal business and its core profits would remain cordoned off from the new business. Mitchell and Kroger made their plan to float public.

While the numbers from the online business in the emitch prospectus might have appeared a little slim to those with a discerning financial eye, Mitchell's traditional media business was a heavyweight. It boasted annual turnover of $650 million. When Harold Mitchell spoke, television executives listened. Not only was he a workaholic, but he flogged his network to within an inch of its life. He was skilled at beating media companies into submission at the negotiating table and, with a reputation as an old-fashioned type of advertising animal, he commanded audiences for his sage advice. He had witnessed the deregulation of the advertising industry in 1997, from which his business and reputation had emerged bigger and stronger. While other advertising agencies scrambled to spin off their own so-called independent media-buying outfits, Mitchell & Partners had already been in operation for 21 years. As the third biggest media-buying business in the country, its accounts included the Seven Network and the ultra-desirable media contract for the federal government of Australia.

So where, in 2000, would you expect find the country's three constantly squabbling, cut-throat free-to-air television networks gathered together in peaceful harmony? The only place would be on the register of the about-to-launch online media-buying company—Kerry Packer's Nine Network, Kerry Stokes' Seven Network and the Ten Network subscribed for seven million shares each in the emitch float. They knew, as well as anyone

with any knowledge of Melbourne stockbroking circles, that the float was a lay-down misere for any investors who were lucky enough, or connected enough, to get a bit of it. 'I ran into television blokes who bought beach houses on the back of it,' Mitchell said. 'Kroger had all his mates in there including the pro at the Portsea Golf Club.'

To make it to that inner circle of investors one either had to be a client of the Johnson Taylor stockbroking group, Michael Kroger's JT Campbell investment bank, or have a connection to Harold Mitchell. The two largest shareholders—Michael Kroger and Harold Mitchell, and their businesses and families—had their shares escrowed for two years. For everybody else, it was game on.

Melbourne rag-trader and taker-on of Melbourne Club types Solomon Lew was important enough to feature high up the register with his private company Playcorp, while the Lew family also got shares. Lloyd Williams, horseflesh enthusiast and Crown Casino supremo, was another who featured among those who were best looked after. Strategic Pooled Development, which was registered as a pooled development company (PDF) making it eligible for tax concessions, was controlled by Andrew Kroger (Michael's brother and a former stockbroker) and Theo Onisforou, Packer's former lawyer, who featured, not surprisingly, in the initial uptake of stock. Graeme Samuel—the former investment banker, who would later head up the Australian Competition and Consumer Commission—also got shares.

Ordinary investors didn't even get a look in—there were simply other, much more connected individuals to look after. Packer's head honcho at the time, Nick Falloon, turned up with 100,000 shares and the head of Packer's Nine Network, David

Leckie, got even more at 150,000. Another Packer executive, Ian Johnson, also received 100,000 shares in the float. Eddie McGuire (a rising sports-television star and Collingwood Football Club devotee) got 20,000. David Gyngell (at that time a minor Packer camp follower) received some of Mitchell's love (100,000 shares) while former Labor politician Graham Richardson received 50,000. Ten Network boss John McAlpine walked away with even more than his counterparts at Nine—he got 200,000 shares—in spite of his somewhat tough relationship with Mitchell. Rupert Murdoch's brother-in-law, John Calvert-Jones, was one of those best looked after in the float allocation process, receiving 300,000.

Emitch was the best possible opportunity to bestow good wishes on anyone the famously generous Mitchell wanted to, from politicians to business bigwigs. In fact, politicians were particularly well looked after, which is perhaps not surprising given that Michael Kroger was a mover and shaker in Liberal Party circles and married to party big wheel Andrew Peacock's daughter, Ann. Former Victorian Liberal premier Jeff Kennett and his treasurer Alan Stockdale also received shares in the float, as did other well-connected ex-politicians, including former New South Wales Liberal premier Nick Greiner. Even those on the other side of the political fence got a piece of the pie—former prime minister Paul Keating was handed a slice, as was former Labor leader Kim Beazley.

Those in the entertainment industry also did well. The many and various members of the Kirby family (founders of the cinema group Village Roadshow) signed up for a combined 1.4 million shares in the float, while Roadshow's boss, Graham Burke, got 650,000. Entertainment promoter Paul Dainty featured on the new register, as did ecorp executive Michael

Karagiannis. Footballer-turned-successful bookmaker Simon Beasley got a big whack of 400,000 shares.

And it wasn't as though buying a slice of emitch was a cheap prospect. They were priced at nearly 15 times past earnings, even more than the stiff price investors had willingly paid for a similar company, BMC Media, in its float the previous year.

And what about earnings? It would be an understatement to say that there wasn't much to shout about—in reality there weren't any earnings to speak of at all. But, after all, this was a new-age technology float and hence not subject to outmoded business concepts such as cashflow and profits. It was a complicated business. In the first quarter of 2000 emitch forecast billings—the charges of an advertising company makes to its clients—of $2.8 million, but revenue—what remains after it has paid for media placement and production costs—would have been lucky to be 20 per cent of that. Those earnings—sorry, *revenue*, no, make that *billings*—translated in its first year before listing to losses amounting to about $154,000. In fact, emitch directors couldn't even tell shareholders that it was likely to make a profit. Indeed, they offered no guarantees as to when the company would become profitable—if it would at all.

Emitch shares hit the ground running. On their first day of trading they reached a high of $3.70 from a listing price of a mere 50c. It wasn't a bad effort—it was the second best performance of a new listing in the history of the Australian Stock Exchange. Harold Mitchell's almost zero-cost shares soared to about $178 million, while Michael Kroger's slice—for which he had paid $16.70—were worth more than $70 million.

There were few investments better than Kroger's. Mitchell had worked for years to perfect his business and was reaping the rewards. All Kroger had done was make the connec-

tions and provide the structure. Emitch, a company spun out of another, was suddenly worth more than the parent. It was one of the wondrous things that happened in an overheated stockmarket.

And the hype had worked. To be able to realise an investment, you need to have a buyer. There were plenty of those around in March 2000, waiting for the next hot dot.com stock. But spare a thought for those unfortunate investors who bought emitch shares on its first day of trading—after the horse had well and truly bolted. Particular pity is reserved for the individuals who paid $3.70 for their shares—from this high on its first day of trading, the horse had begun limping towards the knacker's yard.

Within a fortnight of trading, most of the Packer interests appeared to have sold out their shares. Their timing couldn't have been better—within weeks the old-fashioned concepts of commerce such as earnings and cashflow were experiencing a dramatic resurgence in popularity among stockmarket investors.

Even though emitch had surprised the stockmarket with its ability to outperform its prospectus promises (its first-quarter billings came in closer to $3 million than the $2.8 million predicted), the true picture lay deeper in the numbers and sadly, by late April, emitch's billings weren't translating into healthy earnings. For the three months to 31 March its cashflow reported in at $582,000. And this was before dot had even bombed.

What had been burned up in all the excitement was emitch's cash. After paying for its staff and other sundry expenses, it reported negative quarterly cashflow of $276,000. This report also revealed just how fair emitch had been at sharing around

its work. Michael Kroger's little investment-banking outfit earned $355,000 in fees associated with the float (which was actually not excessive considering the float raised $28 million and was a high-risk proposition). A company linked with one emitch director, Rodney Lampugh, billed emitch for legal fees of $50,000. All up, the cost of floating came in at $1.5 million, while the cost of sinking was only really a problem for those investors who hadn't had enough of their wits about them to get out in emitch's first days of trading.

Of course the post-float headache was somewhat of a problem for Mitchell and Kroger, because they weren't in a position to sell their shares, due to that inconvenient little invention of the Australian Stock Exchange called escrow, which prevented them selling before the company's true value had been ascertained, in this case for two years. And then there was the less-than-pleasant prospect of having a register full of disgruntled investors who had bought in high in the hope of grand returns, but instead found they had been left behind in the rush out the door.

Still, emitch's staff and directors ought to have been counting their blessings. Based on its cash backing, the company's stock was only worth in the region of 8c a share, yet its market value was still something north of $100 million, which was no small feat for a company with no profits and only $14 million in cash. It wasn't quite the $600 million plus it had garnered from the investment market only weeks earlier, but nonetheless a pretty fair effort.

Clearly Michael Kroger had tutored his protégé, emitch CEO Ben Burge, well in the art of schmooze because, in spite of its dodgy fundamentals, the young gun was still talking up the business. Apparently, a 10 per cent improvement in billings,

whatever the numbers on the underside looked like, was enough to start the company thinking of lifting its advice about billings in future quarters.

David Spence was emitch's steady-handed chairman, whose exposure to new technology had come as head of the ISP OzEmail. He was earning his director's fee talking up the growth of advertising on the internet and there were many predictions of rapid growth in the coming quarter for emitch as well as in internet advertising rates.

But the only rapid thing in the coming weeks was the fall in emitch's share price. By 5 May, not three weeks after the shine was blasted off technology stocks, emitch had traded below its issue price of 50c for the first time. But while not now laughing all the way to the bank, at least Harold Mitchell and Michael Kroger could perhaps suppress a giggle—a bag of groceries was now more expensive than what they had paid for their shares.

Nine months after Burge had boasted of upgrading his estimates of emitch's future financial efforts he was making rather less bold pronouncements—in fact, he had resigned. He and his offsider, Jason Aldsworth, stepped down gallantly, but his grasp of investment-banker spin had not been lost during his brief tour through the online world—he told emitch shareholders that it was time he stepped down in favour of more operationally focused management. Perhaps he should have said was what people were thinking—that is, that he resigned in favour of those who knew how to wring a profit out of a start-up company that had no hope of raising cash on the share market.

It was far from the investment-bank world of big fees and quick money. While it was a valiant retreat, there was the odd investor or two who imagined that Burge was extremely happy to be leaving the public-company platform, where all

of his decisions, strategies and pronouncements were exposed. Investment banking was so much more private, and that was exactly where Burge found his soft landing—he and Aldsworth went straight back into the cosy little world of JT Campbell, Michael Kroger's investment bank. The pair was somewhat richer in pocket from the experience, certainly richer in experience, and undoubtedly richer in the art of public amusement.

Mitchell was still feted in media circles. A teetotaller, he returned to his table at Machiavelli and to his board seats in Melbourne's sought-after charity and arts scenes. He went back to entertaining his wide range of media executives, government faces and, of course, journalists, having won many friends and influenced many people.

SEVENTEEN

New media barons

It's a truism to say that an advertising firm should be able to sell itself. But when investors valued BMC Media—a company that had made little more than $1 million in 1999—at more than $800 million in 2000, it had to be applauded as a fantastic achievement, a self-promotion right up there with such celebrated campaigns as those for Coca-Cola and Tip Top bread.

All this had been achieved by a small advertising agency run by a former ACP sales rep called Anthony Bertini. And it wasn't as though BMC was terribly popular—well-known stockbrokers had turned down the opportunity to manage their float. Ord Minnett and Merrill Lynch had walked, but HSBC had stayed for the spoils, of which there were many.

It was a float for the true believer. One professional investor—who just happened to have a spare million dollars—visited the company's offices to discuss investing in the float.

He decided against it because BMC still had a paper sign on the door. The same investor was later heard to mutter that the next company he visited with a paper sign would receive a cheque on the spot.

Bertini and a fellow called Shane Murray had founded BMC's predecessor Bertini, Murray & Co. in January 1998. Prior to that, after leaving ACP Bertini had begun running the Australian arm of IPC Magazines. At that time, many believed—indeed hoped—that the internet held the key to the future of business and that online advertising would become a major new source of revenue, and this had prompted Malcolm Turnbull to contact Bertini and ask him to come in for a chat, which he duly did. Bertini also spoke at length to Turnbull's partner in OzEmail, Sean Howard, who delivered his vision of the future for the internet and technology.

The rest was easy. Bertini spent a day in front of a whiteboard with Oracle's David Turner, who offered his version of the internet and its workings, while Bertini shared his views on advertising. Then in mid-1996 Turnbull and Bertini flew to London to discuss the project with expat Aussie, Sam Chisholm, who was running BSkyB for Rupert Murdoch. BSkyB, along with Bertini and his backers, formed a partnership, which was co-chaired by Turnbull and Murdoch's daughter Elisabeth. Charles Saatchi (of Saatchi & Saatchi advertising-firm fame, and the current husband of British foodie superstar Nigella Lawson) ran the public relations for the new partnership. On one occasion he popped out of the House of Lords, where his brother Maurice (aka Baron Saatchi of Staplefield) has a life peerage, to take tea at Claridges with Turnbull and Bertini.

After that little get-together, Turnbull and Bertini hopped on a plane to New York to attend a conference on online adver-

tising at the Crowne Plaza in December where, before several hundred conference attendees, including America Online boss Ted Leonsis, they launched their business called Web Wide Media, which Bertini was later to claim was the world's first internet advertising agency. The following year Web Wide Media was bought by Softbank Interactive Marketing, which Bertini and co. had met through work they were doing jointly for publisher and internet company Ziff Davis. The deal came about after Rupert Murdoch put the kybosh on their partnership after getting advice from News's technology expert, Greg Clark, who later ended up as a non-executive of ANZ and a technology consultant in the US. It was later sold on to a US company, Zulu Tech, which only wanted its underlying technology and not its business. In January 1998, the powers-that-be at Zulu Tech telephoned Bertini just two days before they wanted to shut the business down. He objected, but agreed to close up shop after the weekend. On the Monday evening Bertini wrote a press release introducing his new business.

His new incarnation was called Bertini, Murray & Co. and it was somewhat like the old one: it provided advice on how to advertise online, as well as what was termed e-commerce solutions for web publishers. And it sold advertising space on the websites of the companies that it numbered as clients. The only real difference was that Bertini and Murray went without salaries for the first year—but the big bucks were still to come. By mid-1999 Bertini was talking to potential corporate advisors about floating the company. Bertini, Murray & Co. became BMC, as a favour to the company's secretary, who had become tired of having to roll out the full name time and time again and had begun to use BMC instead.

Bertini decided to sell 50 per cent of the company and was seeking offers of half a million dollars, but the market had

already, happily, moved ahead of his expectations. The deal was done to sell 20 per cent of the company for $5 million. By September 1999 former New South Wales premier Nick Greiner agreed to become the company's chairman. He did not take much convincing—like any good politician, Greiner knew an easy sell and BMC Media was just that. By December of the same year BMC was ready for the stockmarket—investors included international finance guru and speculator George Soros, a fellow any company boss would give their eye teeth to have on the register. Within two months BMC shares had hit a high of $7.60—which was just a tad more than their 50c issue price.

HSBC, in spite of its role in floating BMC, wrote a positive report on the company. BMC's client list had now swollen to 125 companies, for whose websites it managed advertising. The company's success was enough to prompt Greiner to talk publicly about his decision to shift his assorted directorships towards internet-related investments.

BMC Media was clever enough to see that advertising revenues from the internet were exponentially bigger in Asia than they were in the Australian market. Consequently, it opened offices in Kong Kong, Singapore, Tokyo, Bangkok and Taipai, as well as in New York. There was so much heat emanating from technology stocks at that point that it didn't matter that these offices weren't generating much revenue. Investors had something to believe in, profits to look forward to. And the advertising agency for the online universe was doing a good job of its own publicity. BMC Media was trading at the top of the pack.

When an advertising company sets about deciding how to flaunt its wares, it needs to know how many punters will

actually see its advertisements. In January 2000, BMC released figures compiled by market research and internet media company, IMR Worldwide, which revealed that, for the month of December 1999, BMC's advertising network—the local websites it managed—reached a massive 44.7 per cent of Australia's online population. Its closest rival was a company with a suitably slick name: DoubleClick, which had only 29 per cent of internet users looking at its ads.

For BMC Media to achieve those kinds of figures, it needed a good customer base. On that front it was also firing. By the end of 1999 it had lined up 113 customers. Within little more than a year it was managing the advertising for more than 400 sites. One big account they managed to snare was the Sydney Organising Committee for the Olympic Games. BMC Media won the contract in July 1999 for the enormous task of selling advertisements in Australia and Asia for SOCOG's site. It had also begun attracting business from overseas. One was a company called Goto, a US company which had come up with the novel prospect of paying computer users to surf its website.

But Bertini and Murray had done such a good job of promoting their advertising agency to the stockmarket that they had created a rather perverse problem for themselves: their stock was overvalued, so much so that there was little they could do to maintain share-price growth. A far bigger problem, however, was how they were going to create the revenues to justify the enormous valuations the market had placed on them—failing to please unrealistic investors who have flashing dollar signs in their eyes is a dangerous pastime. In February 2000 there was speculation BMC Media would go in search of the Holy Grail—acceptance by rich US investors through a listing on the NASDAQ.

Even for a pair of advertising blokes, it was like trying to sell ice to Eskimos. The end of the feeding frenzy on the NASDAQ was rapidly approaching and BMC Media just missed the market—by three weeks. It had got as far as filing a preliminary document with the US Securities and Exchange Commission. It had also talked to HSBC, Credit Suisse First Boston and Donaldson Lufkin Jenrette about sponsoring a $150 million listing. If it had come off, this might have been enough to keep the dogs at bay.

The meeting was held in CSFB's sumptuous Sydney offices overlooking the harbour and was attended by more than 30 bankers and lawyers, some of whom had flown in especially from far-flung corners of the CSFB empire. The proceedings were interrupted by a phone call from none other than Hong Kong's Richard Li, calling to secure a $10 million pre-float stake. He was rejected.

Also interesting was the suggestion that the boys at BMC Media would consider reducing their shareholdings in the company by selling into the NASDAQ IPO. 'If the capital raising ... proceeds by way of a public offering of ordinary shares in the US, and the company seeks a listing on the NASDAQ's National Market, the company's founders and directors may wish to offer part of their shares for sale in conjunction with that offering,' BMC said in a stock-exchange announcement.

Providing shares for the so-called greenshoe, or over-allotment, which would allow investors to buy more shares if demand exceeded the offer, was behind the announcement. BMC said that the selldown by its founders and directors would be used to 'increase the number of the company's shares available for trading and the liquidity of the market for the company's shares'. Founders who wanted to offload shares in their

own companies were always a concern, but when there were directors wanting to sell, that was often enough to send investors running for the exits. It was really a question of shooting down sentiment in the stock, versus diluting existing shareholders—which included the dear boys themselves.

In March 2000 business was still booming in Australia, but the market peaked in the third week of that month and within another three weeks all would be lost. In the case of BMC Media, that which was lost was about 86 per cent of its value. The day the stockmarket tanked, Anthony Bertini watched his stake in BMC Media go from $52 million to about $17 million.

The stock struggled, and so did the company. Enthusiasm turned to criticism when it became clear that BMC Media was facing a cash crisis, but by July speculation began circulating that BMC Media had a deal up its sleeve. During this time the company attracted two 'please explain' requests from the Australian Stock Exchange, and earned the wrath of the exchange when it finally owned up to the fact that it had been in negotiations with a Chinese technology player. In the third week of July the speculation became news.

While BMC Media had left its run at the NASDAQ too late, it had nonetheless attracted investment from a NASDAQ player. Chinadotcom (aka China.com), an Asian internet portal with money to burn, invested $8.5 million in BMC Media, which was lucky because the Australian online advertising company was doing a good job of combusting cash. This bought BMC another 18 months of life. By outside estimations, it was going to take this long before it could report that it had acquired that most attractive of all corporate qualities—being cashflow positive.

In the meantime, revenues were growing as it expanded into Asia and it was expected that BMC would be earning as

much as $20 million a year by 2002. But all business slowed in 2001—in 2000 it was predicted that total internet advertising spend in Australia would be $100 million a year later. It was, in fact, about 20 per cent less than that.

Yahoo, the world's most visited website, led the downturn in sentiment, admitting to the US stockmarket in January 2001 that its advertising sales were going south. This acknowledgement had a dire effect on its share price. Once worth about $US132 billion, Yahoo was now worth about 85 per cent less than that. It had an even worse effect on companies whose businesses were in online advertising—like BMC Media.

Other giants were also feeling the squeeze. The online divisions of major media organisations, such as Rupert Murdoch's News Corporation, began laying off staff. As all internet players were discovering, their fellow cyber-universe adventurers had been responsible for spending large licks of cash. As their cash supplies dried up, so did their spending. It was a contraction that flowed from one player to the next.

In this same month, January 2001, Merrill Lynch's brilliant and outspoken internet analyst, Henry Blodget, also raised questions about how many internet companies could survive a funding downturn. January also saw another of BMC's rivals, David Purcell and Brendan Cropper's Real Media Australia, flounder. Purcell and Cropper had established Media Fusion in 1999 before selling a 25 per cent stake, and option over a controlling stake, to New York firm Real Media in February the following year.

Riding to the rescue was the Software Communication Group, otherwise known as Sofcom. Sofcom was the granddaddy of the internet boom in Australia. It had been operating since 1981 and, after convincing Victoria's charismatic

former premier Jeff Kennett to take on its chairmanship, it had begun picking up gasping internet companies for car-boot-sale prices—often less than that of an Australian family four-door sedan. But Sofcom was also becoming a headache for BMC Media. In its online advertising arm's six months of operations, it had picked up about 90 customers. In buying Real Media it also had won access to the company's US parent's network.

At the same time DoubleClick's Australian operations had caught up to BMC Media, and yet, in March 2001, DoubleClick (which Google paid $US3.1 billion for in 2008) called it a day in Australia. It closed its offices and retrenched eight staff, promising to maintain some operations through its New York online advertising technology arm, and the rest through its Hong Kong office. DoubleClick's advantage had always been its global network, through its giant US parent, but the reality was that online advertising agencies were struggling to meet their costs.

At this time, Australian companies were only willing to spend between 2 and 10 per cent of their total advertising budgets on online advertising, which was even less than the amount they were willing to throw at outdoor advertising. A report by the investment bank Goldman Sachs in February 2001 showed that online advertising accounted for only 1.1 per cent of all advertising expenditure. The market leader in Australia was the PBL joint venture, ninemsn, with 22 per cent of all online advertising, followed by Yahoo's Australian and New Zealand division with 18 per cent and John Fairfax Holdings' internet arm, F2, with a 15 per cent market share. BMC and DoubleClick had 9 per cent of the market each.

Smaller companies with tighter advertising budgets were also realising that it was difficult to make their advertising

have an impact on the internet. Websites began to struggle to fill their banners with advertising and it appeared to some observers that companies might have stopped trying to think of creative ways to extend their advertising beyond traditional banner advertising.

But some advertising agencies were thinking of ways of getting to the web surfers, instead of trying to get web surfers to come to them. Dreaming up emails that were so interesting, or so rude or so funny, that anyone who saw them flicked them on to their friends was one of the new concepts in online advertising.

Adam Radly was a seriously optimistic boss, who aimed to impress with his casual charm. He was keen to point out the differences between his company, Isis Communications, and other dot.com businesses—it was an education business, albeit an online one, with a side interest in providing online digital content. 'New media' was how it liked to refer to itself. Radly was relatively new himself—a mere 30 years old and baby-faced—when he set out to create a public company.

Being a proactive chap with enough self-confidence to convince investors of his ability to walk on water, Radly didn't see a problem in bringing Isis to the market in the second half of 1999. It was a small matter that Isis shares were to be floated at a price 23 times its 2000 fiscal-year earnings. By way of comparison, this was more than that of the somewhat larger John Fairfax Holdings, which was trading at a mere 16 times its 2000 earnings.

Then there was the justification behind the projections.

'The directors have made a number of assumptions in projecting the earnings of the company for 1999 and 2000 years,'

the prospectus read. 'Due to the start-up nature of some of the businesses that are to form part of Isis, certain assumptions underlying the projected results are not supportable by reference to historical financial information or detailed market or costing studies.' In fact, one wonders why they bothered making projections at all based on the next statement: 'Accordingly, a number of the assumptions are necessarily arbitrary and should be considered hypothetical. Accordingly, the directors are not predicting that the profit projections for Isis will eventuate.'

Hypothetical or not, Isis was the third-biggest internet raising to hit the bourse—only Packer's ecorp and the computer business eisa had been bigger. Isis shares, which were issued at $1 a piece, raising $55 million, finished their first day of public trading at 71c. Priced at 23 times its projected calendar 2000 earnings (which later turned out to be a giant net loss of more than $48 million), Isis was viewed by the stockmarket as expensive.

It was lucky that Radly was seriously optimistic, because he was being tested. But being a brave kind of fellow, he wasn't saying so publicly. Like every other internet-styled executive, he was focused on what made his business different from every other internet company. Radly's vision entailed believing that Isis's digital broadcasting, and education and training businesses, held enough real-economy benefits to survive any bourse bust.

So, when Isis shares failed to perform, Radly took a sensible stance in the face of enemy fire, and blamed everyone but himself and the company's board. He mainly blamed investor ignorance. As much as investors had up to now been prepared to cover their ears and eyes and to ignore the underlying numerical realities behind most internet ventures, now there was evidence of some investors exercising the briefly lost art of discernment.

One of Radly's great gifts was being able to convince investors to part with enough money so that Isis had a kitty to sit on—unlike many other internet companies. Not that Radly planned to do much sitting. He pushed ahead with his company's vision of the future, in which the world operated in an internet-ruled parallel universe. In that parallel world, Isis planned to build what it called online communities—in education, health, financial services and, of course, shopping. But then again, this was a fellow with other grand, global plans including his own not-for-profit charity, the Radly Center, which aimed to focus on 'assisting people in the poorest nations on the planet'.

But Isis's parallel universe needed content, so it turned to MarketFaxts with a takeover offer in August 2000. Conveniently, MarketFaxts—a Brisbane company with which it already had a content-sharing deal—was cashed up to the tune of $7 million. Issuing scrip for cash wasn't a bad plan at all; indeed, it was one that had occurred to other bright sparks in the technology community. The short-of-cash telecom Telco Australia had already launched a bid for MarketFaxts in July. That partial scrip offer for 80 per cent of MarketFaxts stock—of two Telco shares for every five MarketFaxts shares—was attractive enough to be accepted by only about 1 per cent of MarketFaxts shareholders and expired without meeting the minimum conditions set by Telco Australia.

Isis's off-market offer in late August—one Isis share, which had last traded at 81c, for every three MarketFaxts shares—equated to a 27c-a-share offer, which was 42 per cent more than MarketFaxts shares were trading at prior to the Isis bid. In October Isis sweetened its offer to one Isis option for every three MarketFaxts shares. The options had an exercise price of $1 and a two-year expiry window. Isis's bid was

intended to be backed by the MarketFaxts board; it was priced higher than the earlier Telco offer—until Isis's share price sank. On 18 October the MarketFaxts board withdrew its support of the Isis bid because the offer, which had originally equated to 27c a share, was now worth about a quarter of that. Between late August and mid-October, Isis shares lost 78 per cent, falling to 19.5c in October, down from 81c at the time of its initial bid in August. Isis, too, was then unsuccessful.

At that point Isis was still sitting on about $41 million and operating out of an office described by one visitor at the time as 'like walking onto the deck of the Starship Enterprise'. It planned to spend about $15 million setting up the various online communities. In hindsight, Radly's mind was operating in its own parallel world, redolent of a *Star Trek* script. In September 2000 Radly was involved in the organisation of World Reconciliation Day, which was to be held in Melbourne. On the day, he was photographed handing over a giant cheque—prominently bearing the Isis logo—for $1.7 million for the Nelson Mandela Children's Fund. In October, Isis shocked the stockmarket with the announcement of a forecast loss of $30 million—$5 million of which was attributed to losses from Isis's sponsorship of the World Reconciliation Day concert.

In December 2000 Isis announced Radly's plans to relocate to the US in order to pursue and expand the company's business interests there. But by March 2001 Radly's grand plans were looking rather less spiffing. Isis reported a loss of $48.6 million, which compared disappointingly with its prospectus forecasts of a profit of $5.6 million. Somehow, $50 million or so had gone by the wayside. Revenues were also something less than those hoped for. Forecast at $67 million, they limped in at $24.8 million.

If this wasn't enough to keep the Isis board occupied, the business was also in hot water over its strategy in one of its subsidiary companies. Isis had a 25 per cent interest in DubSat, a technology company that beamed commercials to TV stations via satellite. But Isis had been couriering its master tapes, which was the traditional method of delivering commercials, and one which was cheaper than satellite technology for its customers. Isis ended up in court in May 2002 facing two of its three DubSat partners, AAV Australia and Omnilab, both of whom claimed it hadn't lived up to their agreement, which was that the partners would use the DubSat business exclusively to send commercials. Isis was acting outside the agreement and lost in court.

In December 2001 Radly was dropped back into reality when his private company, Radly Corporation, was put into receivership by one Henry Kaye. Kaye would later become known for his over-enthusiasm for that other great seducer, property, but Kaye and Radly went way back, which somehow counted for little when Kaye wanted to get back the money that the Radly Corporation owed him, or at least the interest on it.

Kaye had given the Corporation a substantial loan with Radly's shares in Isis as the collateral. But, being an expansionist, Radly had also taken out a further loan from Suncorp Metway—the only problem being that he had secured this loan with the same shares used to secure the smaller loan from Kaye. Consequently, Radly resigned as chief executive of Isis, but remained as a director of the company—but only until the following May when he resigned his directorship as well.

In the end, AAV Australia had the last laugh when MGB, one of its shareholders, agreed, along with Radly Corporation's receiver, Knights Insolvency Administration, to buy Radly's

shares in Isis. MGB then held a sufficiently substantial stake in the company to be able to launch a successful reverse takeover for Isis in June 2002. MGB was a private equity outfit that had been set up in 1998 by the wiliest of all corporate advisors, the veteran David Gonski, a former Freehills partner, together with some of his highly switched-on associates. By June 2002 Isis shares had come close to doubling their value, which meant that MGB made a big profit and the future of its investment in AAV was shored up. It was a very bright outcome for what had become a messy situation for all involved.

In his heyday in 2000, Adam Radly had been a candidate for *Cleo* magazine's Bachelor of the Year award, a suitably important honour for a public company director. At that time he was described by former business partners as authoritative, dedicated and informed. After interest in the dot.com boom waned, or reality surfaced—whichever truth one prefers—the authoritative, dedicated and informed Radly rather overburdened himself in the process of riding a stockmarket boom.

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EIGHTEEN

Shop mauling

It took imagination to marry the internet with underwear. The result of that imagination was No Regrets Ltd, an internet retailer of sorts.

Think of the internet as one giant shopping mall for consumers the world over. Many brilliant businessmen did. The blokes behind No Regrets Ltd, Domenic Martino, who cut his dot.boom teeth at New Tel, and his fellow directors, were businessmen of that calibre—at least in the imagination stakes. They deserve pride of place among the great internet retailers, because they took the concept one step further.

Their belief in the breadth and depth of this universal shopping mall was so great that they didn't stick with merely selling over-the-shoulder-boulder-holders. No, they had the brilliant idea of franchising their internet lingerie chain. They wanted to sell the concept of their virtual stores to other internet believers. Forget Amazon.com and its global store

concept—that was just plain greedy and all about keeping profits to yourself!

Martino and No Regrets took the idea of selling knickers and bras, and made it better. You could buy a No Regrets online franchise for not much more than $10,000 a pop, which meant that you might have to sell more franchises than Elle McPherson sells bras to make public-company-sized profits, but No Regrets' drawcards did fit neatly into an A cup. The company had wonderfully long lead times, great investment risk and an illiquid share register.

But it also had Martino, an accountant who sported a luxurious moustache along with a sterling A-team career. He spiced up his mainstream big-banana role at global accounting factory Deloitte Touche Tohmatsu with more interesting affairs, such as No Regrets and other such thrilling stockmarket dalliances. Martino had that particularly Western Australian well-developed eye for business that always finds a welcome home in the public company prospectus. This combined well with his excellent entertainment skills, not just in singing (from which he earned his nickname Pavarotti) but in warbling to shareholders.

It's easy to imagine the tune played for potential shareholders. Underwear is a vital under-pinner of society. As any woman knows, anything that assists in the defiance of gravity is of grave importance. And in the shopping strip of the World Wide Web there are no full-length mirrors or harsh lighting. Buying smalls online certainly has its attractions.

If all this wasn't enough to convince investors to part with their moolah in the hunt for internet-generated dollars, No Regrets had another winning selling point stashed in its undies drawer. Its prospectus boasted enough young ladies in various

stages of undress to make investors believe that even if the franchising came to nought, they had still received something valuable for their money.

So it seemed almost incredible then that the party poopers at the Australian Securities and Investments Commission didn't seem to find this document as 'fully endowed' as it required under the Corporations Act in February 2001. Like the lack of outer clobber of the lassies in the No Regrets' brochure, ASIC viewed the glossy document as being minimal in its disclosures, so it accessorised the prospectus with a stop order, meaning that No Regrets was unable to go ahead with asking the public for money until it had unearthed some more meaningful information.

No Regrets, however, became of historical significance because it summed up the boom period. 'No regrets' was the mantra that best befitted internet mania.

There were others who dived into internet retailing. These internet believers didn't just want to own a global store, they wanted it to be a one-stop-shopping-spot. Internet shopping was, and still is, one of the simplest and most intimate forms of consumerism, open to anyone with a couple of thousand bucks to build a website or 'virtual store'—within days.

Annette Oliver was not just anyone. Unlike most of those rushing in on the back of the boom, she actually knew a bit about the World Wide Web. She was an information technology expert who had applied her skills early to the internet boom. Her global store Bigshop.com.au was ahead of the pack. Bigshop had become more than a concept way back in 1998, long before the internet was accessible to the majority of the

world's shopping public. You might argue that being a woman was her second advantage in the retailing business, but being ahead of the times was certainly her first.

It is men's belief that women like to shop. Then there are women like Oliver who invest money in their future. She'd found herself in the right environment for raising money because of her network of connections, including the wealthy Perth polo-playing family the Atkins, into which she had married. In an environment like that, pulling in the $6 million for the Bigshop float in 2000 had been simple.

Perth is really just a country town with some very big buildings, but there are a few names that it pays you to remember. One is Holmes à Court, the other Rinehart. Robert Holmes à Court is one of the names known in Australia and abroad for employing some of the most entertaining business strategies of the pleasure-loving 1980s. The Rinehart clan became known for bringing its inventive business strategies into the new century, while deploying its old-century money.

Robert's widow, Janet Holmes à Court, tipped $1 million into the Bigshop float, which bought her four million 25c shares. But, unlike shopping in Harrods, where you walk away from the experience with several shiny racing-green shopping bags and a big credit card bill, Holmes à Court didn't. Her $1 million posse of shares would be held in escrow for a year. Yet she still wanted in.

For the heiress to Lang Hancock's iron ore fortune, Gina Rinehart, Bigshop was an obvious investment. She knew business, though it could be argued she knew litigation even better, having fought her way through various courts of law in her epic feud with her late father's wife, Rose. Her main Bigshop interest lay in her son John, who was its marketing consultant.

John Rinehart came with excellent credentials. Not just a marketing professional, he was a contestant, alongside Adam Radly, in *Cleo* magazine's Bachelor of the Year awards in 2000. It may have been unclear exactly what being a potential bachelor of the year had to do with retailing but, if he was as good at selling goods as he was at selling himself, Bigshop could surely not go wrong.

Bigshop was exactly what its name implied. An online shopper, simply using their trigger finger, could happily buy anything—from an electric toothbrush to a plasma TV. Oliver knew her way around a shop or two as surely as she knew her way around an investor. And she had found a scheme to make life's necessities cheaper—between 20 and 60 per cent cheaper.

In truth, Bigshop was about as small as retailers come. Bigshop had deals with wholesalers, such as information and communications-technology company NEC, which supplied Bigshop's customers directly, that meant that the new-age retailer didn't need money or large storage facilities for stock. It seemed almost too good to be true. As it turned out, it was.

We won't blame Annette and John—they had all the right experience. We'll blame that fickle place of no return called the stockmarket. Investors, who had previously been unable to see through the dollar signs in their eyes, were suddenly more interested in actual profits than in internet stocks with their virtual promises, so much so that, since March, the bellwether NASDAQ technology index had lost nearly a tenth of its value. Bigshop burst onto the stockmarket on a Monday. Annette and John had chosen an auspicious day, 17 April 2000, which was soon to become known as the day the dot.com died.

But Black Monday Mark II shouldn't have been a lethal blow for such a promising business as Bigshop. Of course, there

was also the niggling difficulty that when Bigshop surged onto the bourse, shoppers had nowhere actually to go to buy their electric toothbrush—the website was not yet operational. Three months after Bigshop joined the stockmarket, shopaholics were still waiting in line.

Bigshop's web development was to be conducted in-house, rather than going with the more expensive option of out-sourcing it to another, perhaps also struggling, internet business. It may appear strange that a new business was already reaching for a tool like cost-cutting before it had even sold a single item, but that was what Oliver blamed the delay on. Those who asked why Bigshop was still occupied with web development, long after its website was meant to be operational, were simply spoilsports.

And there were spoilsports who suggested that Oliver didn't always hold true to her promises. Three months after listing, she said the site would be operational by the end of the month. It was another two months before it was actually up and running.

As it turned out, Bigshop could have been slower off the mark with little consequence. A year later, online retailing was winning few popularity contests. By then, at least Bigshop had a live online shopfront, even if its sales befitted a corner store rather than a public company.

Thankfully, Oliver was an optimist. Bigshop began looking at other opportunities—a common euphemism for finding another line of business that made money. At this point in the boom-to-crash cycle, everyone with a dot.com among their credentials was in the queue.

Then Bigshop found that other opportunity. In July 2001 it won a contract in the United Kingdom to set up an e-commerce

site for a hotel business. It may not have had anything to do with internet retailing, but at least it still involved the virtual world. At $600,000, the contract was worth more than the sales Bigshop had been attempting to survive on for the previous year.

Distinguishing itself positively from many other fellow internet retailers, Bigshop had barely eaten into the cash it had raised from investors. Expenses from month to month were not more than $60,000, and sometimes as little as $20,000. While Oliver knew the internet and something about shopping, everyone has their weaknesses—hers was timing. Holding onto its cash had made Bigshop an attractive target for other, more opportunistic, internet players. Cash starvation is a significant motivator for any board to prey on other, richer, companies.

Bigshop was littered with bigwigs. What harm could one more do? Farooq Khan had a pedigree. He boasted a grandfather who was formerly a Chief Justice of the High Court of Pakistan. He himself had studied law at the University of Western Australia and gone on to practise in the area of corporate law; but then he became a successful entrepreneur, dealing in something with strong links to the law—skincare products.

But then his corporate training again came to the fore. With his internet-directory business Fast Scout, Khan was unusually direct for someone in his profession and admitted he was on the hunt for cashboxes. Fast Scout was, of course, an exceptional company. There was just one inconsequential piece of apparatus missing—cash. And Bigshop.com.au had just the apparatus Khan was missing. It had $6.2 million in the bank and was still living up to its reputation of not doing very much. Fast Scout made a takeover bid in June 2001.

Oliver, however, had been working on an alternative proposal to Khan's. With the backing of the deep pockets of

Macquarie Bank, she now proposed that her company raise a further $750,000 at 7.5c a share. It mattered little that Bigshop was already cashed up and was yet to find something worthwhile to do with the cash it had—a little more couldn't hurt, and no doubt a clever businessperson like Oliver had a plan on how to use it. But this capital raising never got up, largely because of the battle for control of the company waged by Khan.

It's hard to say whether part of Oliver's plan was to get Fast Scout to increase its offer, but that's what happened. Khan wanted his cashbucket and he had to pay up for it. He had originally offered 7.8c for 51 per cent of Bigshop shares, and didn't want to have to pay more—he just wanted board control and to be able to get his hands on Bigshop's dough. But, to get control of Bigshop and its tidy coffers, he had to up his offer to 65 per cent of the company's shares and increase the offer price to 9c a share.

The battle had now taken on Waterloo proportions. On 9 November, at a shareholder meeting aimed at spilling the board, Bigshop's chairman Michael Brereton declared a block of proxy votes invalid. Later that month Khan took the matter to court and won. Fast Scout, with Khan at the helm, was finally in control—Brereton was off the board, as were fellow directors Charles Morton and Gary Bergel. By December 2002 Bigshop.com.au shares were trading at a mere 2.2c a share.

But there were many positives about Mr Khan. Being engaged in fiscal combat with Farooq Khan meant the company had another good excuse to give to shareholders for its lack of progress on its website. In fact, it took until January 2002—a mere 21 months after it floated—for the Bigshop.com.au virtual store to be turned off. How unfortunate, then, that it missed the Christmas trading period—the last months of 2001, during which

internet retailers had just seen their businesses pick up. The Nielsen/NetRatings Online Shopping Index—which measured 130 retail websites—reported that online shopping had jumped by 9 per cent in six months. During that Christmas period of late 2001, a good three million Australian shoppers bought online.

The words that the company—now controlled by Khan—issued told their own tale. In a company update in January, concern about the long-term sustainability of e-tailing was noted; the virtual store was too expensive to run and didn't make enough sales. They planned to sell the site and its underlying technology. As it turned out, the long-term sustainability of Annette Oliver was also lacking—she had exited Bigshop a couple of months before the 2001 Christmas rush.

So, if a retail chain could be franchised and a single department store could operate globally, then surely there could be a shopping mall in the virtual world? Yessiree! And while Queensland had plenty of famous shopping strips, it took the inventiveness of one of its smaller resources companies to come up with the sunshine state's bravest attempt at a virtual shopping centre.

Imagine the excitement among Windsor Resources shareholders when they realised that their company was going to stop digging dirt so it could concentrate on mining the internet. A fellow called Mike Veverka took the reins at Jumbomall (née Windsor Resources) after he'd shunted his mall through the Windsor backdoor.

There is little doubt that, along with Western Australia, Queensland turns out some great business people. Windsor

Resources—cum Jumbomall—was one of the great case studies of the dot.com era. One of the most beautifully simple methods of reinvigorating a company's share price is to change its name. Even a company's own shareholders, if they've been holding the stock for an unattractively lengthy period of time due to its underperformance, may be inclined to forget they hold its stock in the first place until they are alerted to their good fortune through a rebadging. With all that in place, the next step was to milk the masses for the necessary moolah to get the mall's doors open.

Stockbroking outfit and advisory firm Hartley Poynton specialised in riding boom times—and so did many of its clients. Hartley Poynton is not known for its conservativeness, yet this time it asked for a mere $2 million for the company. It was the middle of 1999. E-stocks were gold and it soon became apparent that there was more demand for Jumbomall stock than could be easily fulfilled. Punters in the end parted with $2.5 million.

Of course, it must have been an easy sell. Apart from the benefit of becoming a dot.com, Jumbomall even had revenue. Sales for the 11 months to 31 May was $538,189, which was better than nothing. In fact, Jumbomall was a pin-up among dot.coms.

It listed to much acclaim in September 1999 in Australia and the following month was already heading for a German investment blitzkrieg. A Berlin listing followed—German investors being just as keen to share in serious stockmarket profits as their Australian counterparts. The $6 million in losses Windsor Resources had racked up as a mining company were a distant memory.

By December, Jumbomall shareholders who had bought in the float were sitting on 60 per cent profits. But why rest on your laurels? The word 'NASDAQ' had a profound effect on

internet stocks. Jumbomall wanted to feel the heat in its stock price, so it too began talking up the prospect of a listing on the American specialist market for technology companies. The NASDAQ often required companies to have a market value of at least $US500 million before they could win support for a listing. Jumbomall's market capitalisation was a tad less than that at $15 million. Jumbomall ought not be punished for having big plans for global retail domination.

Besides, there was no telling what wonders the global accounting firm Ernst & Young could work. It hadn't been so intimidated by the challenge as to not accept the job. Jumbomall itself was entirely conservative—it told its shareholders not to expect the US listing for at least nine months. And that was the great beauty of the dot.com boom—a listing on the NASDAQ didn't need to actually happen—it just needed to be talked about for a company's stock to feel the warm, comforting feeling of a rising share price.

So, with all that in train, the little problem of too few customers at its shopping mall was just a minor blip. Indeed, it gave Jumbomall the opportunity to re-jig its strategy. And by this point in the boom cycle internet stocks were becoming extremely adept at re-jigging strategies. Of course, there was the deleterious effect on share price that was the normal accompaniment of a re-jig, but you had to remember it was all for its greater good. Jumbomall was so sure about its strategy that it decided that foregoing revenue in order to increase the size of its mall was worthwhile.

The company's board decided that it needed to attract more shops to its shopping portal. So excited was the Jumbomall board about this prospect that it decided it wouldn't even ask these shops to pay for the pleasure of being located in this

jumbo cyber-mall. Offering it for free may have been a small swing away from Jumbomall prospectus plans, but the board could hardly be accused of inflexibility.

Jumbomall was so proud of its decision to hand out free services that it bragged that it would be the first international mall offering a free hosting service. And remember the fact that this hosting service was meant to bring in 40 per cent of the company's projected revenues. Veverka believed that if the stores flocked to the website because it didn't cost them anything, Jumbomall would make money on advertising, deliveries and setting up automatic payment facilities. By this stage Jumbomall had 3000 merchants who had taken up its offer to trade within its cyber-walls.

So attractive was this concept of virtual mall shopping that it wasn't surprising that others were onto it. Far bigger internet players had begun to realise that they could make money offering the same kind of services by luring other retailers onto its site in return for a monthly fee and a slice of each sale. And Yahoo was delving into the Australian market, having signed up 30 local retail companies for its online shopping mall, which until then had been focused on the US market.

Jumbomall had its own David in its battles against these goliaths—its chairman David Merson. At the shareholders' annual fest in Brisbane in late November 1999, he was talking up the company's efforts. Enticing 3000 retailers onto its site was far better than expected, he said, though it obviously wanted more. Also unexpected was the number of hits on the Jumbomall site. Sensibly, he encouraged shareholders to take their eyes off the short-term issues of profit and loss.

Profits were a mere sideshow in the great drama that is a publicly listed company. Merson was rightly more focused on

the more attractive parts of the company—its future. That future revolved around being able to spend money to get customers. And more customers. And more customers. It was simple really—as simple as a resources company could make an internet business. It needed more customers and that meant venturing to the mecca of consumerism, the United States of America. It didn't matter that Jumbomall resided in Brisbane—the internet was global. This enterprise may not yet have attracted the unqualified interest of shoppers, but it could count the Australian Stock Exchange among its fans. Jumbomall shares took off at the end of December 1999 and the exchange sent it a query. It could have been worse—the ASX could have been querying why Jumbomall's share price was travelling south; internet shopping malls may have been global, but stock exchanges were not. But it was quite the opposite: there was a distinct difference between what German investors were willing to pay for Jumbomall shares on the Berlin Stock Exchange and what Australian investors were willing to pay—the local share price playing catch-up to the overactive German trading of Jumbomall stock was given as the reason for its sterling performance.

It certainly couldn't have been the company's underlying performance that was responsible. In its first year in retail instead of resources, Jumbomall reported losses of more than $1 million. Its accumulated losses were even handier—it wrote off $6 million.

But if Mike Ververka was anything, he was persistent. By March 2005 Jumbomall, now renamed Jumbo Corporation, had bought a privately owned gaming business, TMS Global, and begun to direct some of its attention to online gaming. By 2008 Jumbo—now Manaccom—had paid a maiden dividend. By 2010, thanks to its OzLotteries.com website, it had begun

describing itself as an online lottery business. Here was fiscal mining at its best.

There were other great internet retailing concepts, and marketing wine seemed to be among the best of them. Enter Mark Mezrani, who had an extremely good combination of skills. He had all the financial nous of an able, Maserati-driving Macquarie banker combined with a grassroots network in the Sydney political, property and retailing communities.

Mezrani liked to regularly lunch in Sydney's Little Italy, Leichhardt, not far from his Camperdown base. Apart from his financial market contacts, he had an eclectic group of contacts from Labor officials to construction types. Mezrani had dabbled in the property market, funded in part by the long-time Macquarie banker, Andrew Downe. And he also liked living in the salubrious Sydney suburb of Vaucluse. At the height of the dot.com boom he rented a nice family home there for his extensive brood.

Mezrani had made his first little bit of money trading bullion under the later enormously successful head of Macquarie Bank, Allan Moss. After spending some of his twenties in the city he then migrated back to the suburbs, becoming involved in a varied range of property deals and later moving into liquor. In 1993 the opportunity arose to buy Sydney wine retailer Camperdown Cellars from its receiver. He transformed the business into the city's biggest supplier of wine to the corporate market, adding four other stores. Six years after he bought Camperdown Cellars, the business was turning over $10 million annually.

But when it came to the internet, Mezrani's early foray into online selling—on a small website with limited products three years before—had left him underwhelmed. However, this wasn't enough to deter an old friend of his, Rob Walters. Walters had been working for ninemsn, the online joint venture of big boys Microsoft and PBL. As part of his brief he had been asked to research wine and the internet. He liked what he found so much that he put together a plan for an online wine site. When ninemsn filed the plan, he turned to his friend Mark Mezrani.

This time round Mezrani was convinced that Walters' internet concept had merit. He could see that it would allow him to sell wine around the country without having the huge overheads he had experienced running a city shop. In October 1998 Wine Planet was born. Walters became Mezrani's offsider and Wine Planet's general manager. Other old contacts came in handy. Mezrani had approached some former workmates at Macquarie Bank—head of bullion trading, Warwick Morris, and head of markets, Andrew Downe. Together these two funnelled in $1 million to get the business off the ground. Morris became a director of the company.

On paper it looked promising. When Wine Planet began selling wine in January 1999—mostly at a discount to the prices bricks-and-mortar retail stores were charging—its sales were $29,000 for the month. By April this had jumped nearly twentyfold, to $400,000. Optimistically, its executives boasted that it had factored in monthly sales of more like $4 million a month into the future.

Little wonder then that Mezrani decided to sell his Camperdown Cellars business into Wine Planet for $2.7 million, including stock, in March 1999. There was a standing joke between the partners that Mezrani owed Walters a fortune in

bets. 'Mezrani is right on lots of things but has underestimated the growth every time,' Walters told *BRW*'s Amanda Gome. 'He has lost every single bet.'

Mezrani said in response: 'It's true. I was a hard-nosed, traditional retailer and I have been shown up.' Mezrani gave a warning to conventional retailers of wine: 'Forget it. We have just opened a liquor store in every suburb in Australia. And to other retailers, if you are running your own business and ignoring the internet, you are finished. If you are in charge of a public company and ignore the internet, you are doing shareholders a grave disservice.'

By August 1999 Mezrani was happily contemplating life over the top of his well-cultivated middle as the very successful boss of an online wine retailer. Mezrani had just negotiated a handsome deal with veteran mining entrepreneur Norm Sekold to back his online wine sales business into Sekold's Mogul Mining. Sekold knew his way around a stockmarket boom all too well, so Mezrani and he were a match made in heaven. Mezrani emerged with 107 million shares in the miner turned internet trader.

The day the shares relisted as Wine Planet on the stockmarket, on 1 September 1999, they jumped 10 per cent to hit a high of 27c. But before the Wine Planet deal was announced, Mogul Mining had been trading at a piffling 11c. As for Sekold, he had already let the stockmarket and the wider minerals community know that Mogul's gold assets in Mexico were up for sale. The wily entrepreneur's days of mining the ground appeared to be over—he was mining the internet now.

Stockmarket investors liked what they heard and by the end of October 1999 Wine Planet had raised $12 million through a placement. Stockbroking analysts, ever pushing the next

opportunity, claimed their models were returning monthly sales figures of $1 million by the Christmas months. Mezrani later confirmed the $1 million a month expectation thanks to the Christmas trading period.

As well as selling wine, Wine Planet had other ambitious plans to turn its virtual wine shop into an international virtual wine shop, with overseas grog offerings. And then to transform it into a virtual gourmet shop, stocking products such as coffee and cheese, care of fine food purveyor The Essential Ingredient. The concept quickly came to include magazines and books. Wine Planet was beginning to look more like a ground-floor department store than a liquor retailer.

Wine Planet boosted its sales site with other information it thought might attract and keep customers. It hired several highly regarded wine connoisseurs to pen regular columns. It ran bulletin boards, chat groups and published newsletters. Then there were plans for a television show to be streamed through the company's online-audio technology. Mezrani was meanwhile trying everything to further leverage the business. He considered content-sharing. He considered auctioning wine. He even began talks with Fairfax's auction site, SOLD.com.au and News Limited's auction business.

At that point there was very little to dampen Wine Planet's expectations. Unlike the bottle-o, internet wine purveyors nearly always sold wine by the dozen, boosting their future sales estimations. Wine Planet also began sprouting plans for a London business. By the second half of 2000 it had launched its push into the UK, which it believed was the world's most important wine market, with an initial offering of 5000 bottles of wine sourced from around the wine-growing regions of the world. Mezrani's words seemed to have been having some effect. Old-economy

retailers were beginning to panic about the effect online sales were going to have on their businesses.

But the big time came for Mezrani when Melbourne beer and beverage company Foster's Brewing Group showed interest in the business. Terry Davis was running the Mildara Blass wine division of Foster's and was keen to make his mark on the Foster's board as he knew that his boss, Ted Kunkel, was unlikely to remain forever—and he wanted the top job. The direct mail-order business, Cellarmasters, had been tremendously successful. It had grown to become the world's largest seller of wine to the general public. Bought by Foster's in 1997, the Cellarmasters wine club sold wine directly to homes in Australia, New Zealand, USA and Europe. So Foster's forked out $50 million for its quarter share of Wine Planet in February 2000.

Foster's believed it was looking after its online strategy by buying up an outside business. It duly began funnelling the sorts of dollars into Wine Planet that only a blue-chip company on the Australian bourse can shovel into a project when its intentions are palpably serious. 'This strategic acquisition will not only give us a truly global reach in direct wine marketing, but will also provide exciting innovation opportunities in e-commerce, business-to-business marketing and personalised labelling methodologies,' Davis said in a Foster's press release.

But traditional wine retailers needn't have worried themselves. A year later, in February 2001, Wine Planet announced it was closing its UK business. There was worse to come. Coles Myer's Liquorland arm was in dispute with Foster's because Mildara Blass (which was owned by Foster's) was selling to Liquorland at the same time as Foster's was cultivating its own online and direct sales through Wine Planet and Cellarmasters. With Foster's

retailer customers in revolt over the company's involvement in internet selling, Kunkel announced to the market in March 2001 that the company had rethought its Wine Planet strategy. Foster's bought the remaining shares in Wine Planet that it didn't own, folded the business into its Cellarmasters wine club arm (which itself was sold off in 2007 by Foster's) and stopped internet sales under Wine Planet in May. Its Wine Planet foray, just a bit too early, had cost it more than $100 million.

Foster's was far from alone in its failed internet strategy. Winepros.com.au had begun its life as a marriage of clever wine drinkers. And of course it was almost inconceivable that a float put together on the back of a bunch of blokes who drank together could fail! Winepros was an online content provider backed by the Hunter Valley legend Len Evans, so it was perhaps unsurprising that the idea had sprung up—if not over a glass of wine, then at least on the way to getting a glass of wine—in the Hunter Valley. Evans had been checking on the progress of the Tower Lodge boutique hotel development at the time with one of his business partners, the enigmatic Basil Sellars.

Sellars had long since moved permanently away from Australia, dividing his time between London, Monte Carlo and Sydney. Long-time Sellars associate, the Sydney stockbroker Peter Burrows, also became involved as did the wine fanatic and principal of corporate advisory Grant Samuel, Ross Grant. Evans networked with Coles Myer's Liquorland, with which he had a consulting arrangement, and it agreed to take a 10 per cent slice of the float. It also agreed to run the wine sales for the Winepros portal.

Apart from Evans being a major shareholder, his daughter Sally was the chief executive. She had worked earlier in the Sydney corporate advisory scene and later in the wine industry, as a group marketing director of McWilliam's Wines. Winepros.com.au was exactly what it promised to be—an internet portal devoted to wine. The website jameshalliday.com.au—the online presence of noted wine expert James Halliday, a former managing partner of the top-tier corporate law firm, Clayton Utz—was acquired from Rupert Murdoch's book publishing arm, HarperCollins, and formed part of the float. Winepros raised $25 million and listed in December 1999.

But in the end Winepros met a similar end to that of two bottles of Evans' precious Penfolds Bin 60A (Penfolds' most successful show wine ever—the 1962 drop is considered by some to be the best wine ever made in Australia) on a fishing trip to the Gulf of Carpentaria. In one of the many colourful episodes that punctuated his bibulous life, Evans arrived north, along with Michael McMahon and Ed Nealon (co-owners of the flash Sydney noshery Catalina in Rose Bay), only to find that two of the three bottles hadn't survived the trip north and had smashed in his luggage.

By 2001 it became clear that the Winepros business model was similarly broken. As many other providers of content had found to their detriment, there were few consumers who wanted to pay for their internet content. The board decided in October 2001, after seeking advice from the management consultant A.T. Kearney, that Winepros ought either to be sold off or shut down, and the remaining $7.4 million returned to shareholders. In January 2002 shareholders received a 9c-a-share capital return. Winepros shares ultimately collapsed to one cent, a far cry from the $1 a share investors had paid in the float.

Dissent between board members ensued when one director, the stockbroker Burrows, argued the cash should only be returned to those shareholders who had paid cash for their stakes in the company. In other words, he didn't believe Evans and Halliday ought to receive any booty for the 6.25 million shares they had each received. They disagreed.

In the end a compromise was struck when Evans and Halliday agreed to cancel their five-year contracts and suspend their monthly retainers. The company's chairman summed it up during its annual meeting in November 2001: 'They have played the game and are entitled to the shares,' Bruce Kemp said. Kemp himself had played the game when he left a leading job in the wine industry, as head of Southcorp's wine division, for the lure of the internet.

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NINETEEN

Travels in cyberspace

There were some companies and company executives who gave a little less than their all to their internet forays. Following that line of thinking to its logical end, it was no wonder then that their losses were less than spectacular. Among the executives was Gerry Harvey from Harvey Norman. Harvey's sensational talent as a salesman was somewhat marred in the realm of the internet by his antiquity. He just couldn't get his head around how it would make money. So his company built its own websites—which simply directed customers to its many and various retail outlets.

Flight Centre's hard-nosed Graham 'Skroo' Turner also lived up to his nickname in the amount of cash spent on building an internet operation. But he did build a website-sales business which became a vital part of its operations as travel sales moved away from the shopfront to the computer. As it turned out, he had more than the joy of being on the internet—he even got

some revenues from this online exposure. He benefited from not having forked out for overvalued shares in other companies and not paying up for goodwill in the process. He even managed to live without the enormous expense accounts, hiring manias and crazy investments of so many of these new technology companies.

One of Skroo's earliest partners in Flight Centre had been David Tonkin, and the internet trajectory of Tonkin's later ambitions must have proven illuminating to his old ally. Tonkin had begun in London where he'd worked for Flight Shop, one of the new-fangled 'bucket travel agencies' which hawked high-discount airfares, secured through special relationships with certain airlines. Even a bloke in his early twenties, as Tonkin was then, could figure out that this concept was going to be a goer in Australia. So he joined Graham Turner and a couple of others to set up the Sydney office of Flight Centre.

The next part of the story is fairly standard. Their business was a great success and the lads wanted to expand. But Tonkin's business partners had 10 years on him and he wasn't interested in ageing early. So instead he allowed them to buy him out of the Sydney Flight Centre business in 1993 and left them to it. Skroo and the lads went on to build what was to become the nation's most successful bucket-shop chain.

Tonkin returned to some of his youthful habits. For the next 13 years he continued to travel, to start businesses then sell them. But he admitted he wasn't putting any of his cash into technology investments because he claimed that too many of them involved what he termed 'hot air'. Then in 1996 he again had an urge to start a travel agency. This time he partnered his operations with those of Dave Upton of The Travel Specialists. The pair came to an arrangement to

merge their traditional agency operations with the European travel company Usit International. Bill Gair took the chief-executive reins at the new travel company after putting in seed capital of $400,000.

The three travel experts had separately come to the conclusion that the traditional travel agency was a rapidly shrinking business. Their logic was, well, logical. Travellers, particularly in Australia, were more educated and had access to far better information. They were becoming increasingly less likely to use a traditional travel agent to book fares and holidays. At the same time they were becoming more able to make the bookings and conduct the searches themselves. Customers were often happier making the arrangements themselves because they felt more in control of their bookings, often feeling they were getting the best deal.

The experts' concepts appeared to have some foundation. So much for hot air—there was none in sight. The new business found a ready and willing market. In its first year of operation—the year to September 1997—it had turnover of more than $16 million and employed about 20 staff. More than half of its turnover came from internet sales. By 1998 its turnover had jumped to $30 million with about 60 per cent of that revenue raised by virtue of its internet business. At the same time that it was seducing customers to travel over the internet, Travel.com.au was also targeting specific kinds of travellers: it wanted to sell travel services to snow skiers and to the ever-wealthier gay market.

But these three travel entrepreneurs recognised their weaknesses. Internet travel shoppers were a fickle bunch. They would surf around on the Travel.com.au website but mostly they wouldn't stick around to buy. It was a frustrating fact for

online travel operators both in Australia and the United States that only 1 to 1.5 per cent of browsers would actually make a booking. Travel operators realised they needed to keep spending cash to attract users to the company's website, as more competitors did what everyone did in a boom and jumped aboard. At the beginning of 1998 Travel.com.au had only spent $600,000 on a marketing budget—now the board decided it needed to spend more like $3 million. In March 1999 Travel.com.au relaunched its website. It simplified the process for its customers who wanted to book international travel and it shortened the process for those wanting to buy a domestic ticket. It had to be only a matter of time before Travel.com.au would go to the public for capital. Ord Minnett was the stockbroking and investment banking house that won the mandate to raise the cash for it.

Ord Minnett deserves a special mention. By this stage of the technology boom it had made a name for itself as the leader in floating technology companies. That had a lot to do with an influential group of investment bankers, sometimes referred to as the Awesome Foursome. The four included the blue-blood director about town and Ords chairman Peter Mason, his younger and extremely energetic offsider, chief executive Gordon Fell, and a pair of South African immigrants, Kevin Jacobsen and Trevor Loewensohn, who handled a good deal of the corporate work. The foursome ran the bank. Fell's handiwork was on display in most of the technology floats.

It was a dream deal for Ords at a time of booming stockmarkets. Not only did Travel.com.au have revenue, it also had a strong business plan which involved logic. The stockbroker had proved expert at floating much less before. The timing couldn't have been better. It was early 1999 and floating a boat wouldn't

have been any harder. The timing of Ords' investor conference in March couldn't have been better. David Tonkin rose to his feet and told a crowded room of institutional fund managers, company executives and journalists that Travel.com.au had all the characteristics of a company that one should seek to invest in. He cited customer retention, market growth and revenue shares as the big areas for a true comparison of the strength of an online-travel business. Its web-based business had increased by a mammoth 650 per cent in one year. Those thinking they had come to hear a speech about investment in a typical internet company could be forgiven for wondering if they had turned up on the wrong day. On all non-boom counts Travel.com.au stacked up.

It was a far cry from when Tonkin had presented to 3000 followers of Rene Rivkin and his stockmarket recommendation publication, the *Rivkin Report*. He was booed by the audience who were asking to hear instead from Rivkin. Rivkin duly rose to his feet and asked the audience to give Tonkin a fair go. Rivkin supported Travel.com.au by contributing reports about it and also owned shares himself.

For Tonkin, his speech to Ord's investor conference marked his arrival in the big boys' league of investing. His speech worked. Within the week Ord Minnett's equity capital markets team had rounded up institutional investors to gauge their interest in buying shares in a float of Travel.com.au. The immediate response was collectively strong. The stock, as expected, was not going to be a hard sell. The problem was going to be how to get enough stock for those who wanted it.

Ords prided itself on highly considered management of its relationships with institutional fund managers. Turning down a fund manager's stock allocation request was not something

a stockbroking house wanted to do, even though having too much demand boded well for the float.

Then there was the consideration that Tonkin and his co-founders had no plans to use the float as a means of selling down their stakes in the business. Tonkin and his partners were making it difficult for any businessperson out there trying to make an honest living out of hot air and promises.

Ords' bankers and Travel.com.au's board had worked out that it wanted to raise about $24 million. That valued the company at about $50 million. The one area in which Tonkin did sound like every other internet player in the market was in profits. And, like everyone else, institutional investors weren't perturbed that Tonkin had given them his honest opinion that Travel.com.au wasn't going to turn a profit for two years. Tonkin and his business partners could see that the company needed to spend bigger and bigger amounts of cash on improving its internet technology. It also needed to spend money on the much-vaunted concept of branding.

It must have been frustrating for some involved that Tonkin wasn't the kind of fellow who spent his time talking up the company's plans to be the biggest and the best at everything that it turned its hand to. He was unfashionably more interested in providing the detail behind the rhetoric.

It was all stockbroking analysts and investment bankers could do to stop themselves talking up the prospects for a takeover of Travel.com.au. Certainly, Tonkin did spend plenty of time talking to potential buyers such as Expedia. Of course, it mattered not a bit that at this point the company hadn't even launched its stock onto the exchange, let alone released a prospectus for an initial public offering.

When Tonkin did finally unveil the company's final plans to float on 31 March 1999, it was much as expected. It set out to raise

$23.5 million, which translated to a float value of $52.3 million. The 18.8 million shares would be split between retail and wholesale investors. Ord Minnett had already approached its favourite 20 institutions in the Australian market, who all wanted in. It didn't stop there. The investment bank also wanted to attract US institutions onto the Travel.com.au register. The company's directors would control 55 per cent of the stock, all of which would be held in voluntary escrow for two years.

The kinds of numbers that were whetting the appetite of the institutions were sales figures in 1999/2000 of $102 million, a mere 170 per cent growth rate. There were losses, of course, but, since losses were part and parcel of the phenomenon of hot air, not much notice was ever paid to them. There was always the consideration that Travel.com.au did expect to be in the black by the following year, to the tune of between $300,000 and $400,000. Profit was a word not often used in the context of internet floats, or at least not in a realistic manner.

Then there was another tasty morsel for investors in the prospectus. Almost as good as hot air was the prospect of expansion. Tonkin was in the process of chatting up the Japanese travel market. He aimed to link up with the giant Itochu Corp to create a similar version of Travel.com.au for the Japanese market. And it was well placed to aim for expansion. It already had one office in one location, so expanding overseas on the net was a highly attractive, and not necessarily expensive, prospect. Then there were discussions with the US's second biggest search engine, Excite. Travel.com.au wanted to put its service on the site, as it had done with America Online and Yahoo.

But Tonkin again went against the conventional grain. He didn't want to float on the NASDAQ. Rumours had filled the Australian stockmarket of the easy money to be had from

floating and Tonkin didn't want a bar of it. Travel.com.au saw it could make money doing what it was good at in the Australian market, with the capital it had handy from local investors. Investors may have wondered how Tonkin planned to benefit from the hot air principle, when all he ever did was go against anything that would promote the condition.

Other companies talked about raising money from a NASDAQ listing, as though it was the holy grail of investors. The truth was that most of the companies desperately needed the cash to stay afloat because their internet aspirations had proven too quick and expensive. Tonkin had no interest in spending copious amounts of time and money pursuing investors in markets it didn't need. He believed in providing investors with the quantitative measures they needed to make an informed decision. Again, Tonkin had let down the side. The prospectus contained figures of the traffic it expected to see on its website in coming years. By contrast, most hot-air floats were thin on the detail but great on the looks.

Travel.com.au said it anticipated that traffic would jump by a massive 231 per cent to 5.3 million visitors in the financial year 2000 from 1.6 million in the same period in 1999. The actual recordings it had made showed that in the six months to 31 December 1998 it had attracted 600,000 visitors and in the following six months this was expected to increase by 67 per cent. There were various methods that were used to measure website traffic; no universal standard existed, and there was often no information about the manner in which these statistics were compiled. Travel.com.au was ever diligent and had relied upon an independent in the field, WebTrends, which was part of the Spike group of companies. At this stage no one could be expected to foresee that Spike would itself prove to be rather unreliable in terms of its own forecasts and aspirations.

No matter how you measured it, the real question was how many of these visitors actually bought something through the Travel.com.au website. Even though Travel.com.au was aeons ahead of some other internet hopefuls, for those who actually still looked at real numbers and analysed company data, it stacked up as overpriced when compared to traditional travel companies.

The inevitable comparison rightly made at the time was between Travel.com.au and Flight Centre. Travel.com.au's float price delivered it a valuation of 1.4 times revenue. Flight Centre, comparatively, was priced at 0.3 times revenue and it had annual profits of $18 million, not the losses Travel.com.au was predicting. The favoured valuation method of price to earnings ratio was invalid because, as Tonkin hadn't failed to mention, Travel.com.au wasn't predicting any profits. The logical conclusion in those illogical times was not unlike what Tonkin liked to call the 'hot air'.

It didn't help that Tonkin's erstwhile business partner, Graham Turner, was not promising any profits from Flight Centre's own internet business for at least several years. But Skroo was not dismissing the future of the internet for travel agencies—at the same time that Travel.com.au was floating, Flight Centre was buying an internet travel operator, SBT Travel Solutions.

But it was a boom-time and none of the above really mattered to anyone who was buying the shares. It was May 1999 and Travel.com.au's float was oversubscribed ten times. Ord Minnett had to turn down its institutional investors and its retail investors. All boded well for a stunning listing performance.

Stunning was an understatement. From the $1.25 purchase price the shares roared to $3.19 before closing at $3.24. It was

the best performance of an internet-style stock on debut on the Australian Stock Exchange. OzEmail had jumped 28 per cent and LibertyOne 53 per cent. Travel.com.au's 135 per cent was way beyond comparison. Bollinger—magnum size—was the order of the day. It was sprayed around the snazzy offices of the Australian Stock Exchange in Sydney. Tonkin was pleased. Gordon Fell was bursting. The Ord Minnett boss couldn't help telling anyone who would listen that they ought to get on board this new Australian economy, or risk being left in the slow lane. Not long afterwards, of course, Fell found himself briefly in that very same lane after he left Ord Minnett.

Tonkin was now sitting on more than $10 million worth of Travel.com.au stock, none of which he could sell while it was in escrow for two years. Co-founders Dave Upton's and Bill Gair's stakes were worth similar amounts. Tonkin's straightforward attitude appeared to be addictive. While Bollinger was being splashed around, another Travel.com.au executive, Ross Rathmell, was warning investors not to expect a profit. The float represented the end of traditional travel agency work for Travel.com.au. The company had closed its shopfront on Sydney's Clarence Street two weeks earlier. It couldn't have come two weeks too early.

The Bollinger mood wasn't to last. Within two weeks, jitters on the NASDAQ, driven by rising interest rates, had the worst possible effect on Travel.com.au. Almost as quickly as it had risen, shares in the online travel agency were back to not much more than their starting price.

David Tonkin didn't stick around for long in the hot seat at Travel.com.au. He stepped down as chief executive of the company after a mere two-and-a-half years at the helm. He was the antithesis to those chief executives who had to be

dragged, kicking and screaming, from their jobs. But, unlike so many other internet executives, he wasn't resigning so he could sell his shares without sending the company's share price into a tailspin—he just didn't like running a public company. He didn't like the requirements of having to deal with stockbroking analysts and fund managers. He didn't like the public profile. Tonkin liked Byron Bay.

But it wasn't as though he didn't keep his hand in. He moved on to other ventures, but the internet was where he saw the future of the travel business. Express Travel Brochures was an online company that provided travel brochures to wholesalers. It's that business he ran from Byron Bay.

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TWENTY

Slow-moving scions of the times

The 'Kickstart for Start-ups' Melbourne conference in 2000, as it was coined, was a fabulous forum to display Australia's famed entrepreneurial fervour. And one of the most fervent of all was a fellow called Rodney Adler. 'Rocket Rod' was his call sign. But at this particular seminar the Rocket was unusually reticent.

He ought not to have been. These conferences were a corralling of entrepreneurs with a head for technology and the sky-high confidence brought on by the dot.com boom. Given his investments in every second dot.com start-up, this was Adler's mecca. He was in attendance by virtue of his exalted position as one of 17 angel investors—investors who put up very small quantities of funds to back new business ideas—behind TiNSHED. In this angel investing group he was in company with representatives from the country's two richest families, the Packers and the Lowys. But there were other glittering names in this

business clique: adman John Singleton, 'Hungry Jack' Cowin, publisher Kevin Weldon and the requisite McKinsey partner, on this occasion Robert McLean. Adler was one of these business mandarins who got to stand, with one hand at the ready on his wallet, in judgement over other entrepreneurs' ideas.

Like so many Australian dot.com innovations, TiNSHED was a copy. In part it was named in homage to its Palo Alto lookalike, Garage.com, the early-stage venture capital fund which had raised $US100 million during the internet boom and invested in 40 companies. TiNSHED had even copied the boot-camp sessions—where budding entrepreneurs paid a fee to participate in seminars and glean advice, if not an investment—from the Garage.com model.

But it was an easy recipe for investing success. Down-the-tree investors looked to names like Packer and Lowy to guide them. If it was good for them, it must be good for me, ran the logic. For the Packers and Lowys, it was about having more eyes and ears. It was a call option over possible investment opportunities that they could not possibly have the time or the inclination to entertain.

But at this conference for venture capitalists Adler was more interested in one of the panellists than in anyone presenting. He made a beeline for erotic e-retailer Sharon Austen and her long blonde tresses. Though the Rocket had an eye for the ladies, today this was not his mission—brunettes, namely his lovely wife Lyndi, were more his type. His interest in Sharon Austen related to her website, and the Rocket had a small favour to ask.

Tulia Whippy was a vivacious young lady employed by Adler to help in the administration of his burgeoning business empire. It was hardly surprising that he had taken a shine to

her work ethic—to any outsider, her level of commitment was obvious from an interview she'd given, which could be viewed on the Sharon Austen website. Asked about her use of battery-operated marital aids, Whippy replied—with just the right amount of incredulity—that she only ever used household appliances for such experiences. Then there was her response to the question about her most exotic experience to date. Among her past jobs, replied Whippy, one had been working in a funeral parlour, where she had linked up romantically with a Catholic priest in a somewhat surprising moment involving a gravesite.

But, while Adler had one of the thickest skins in the Sydney business community, he did draw the line when his employees were involved. He asked Sharon Austen to remove the interview from her website, and pronto. But Austen, who was a consummate businesswoman, politely refused. She knew that content was king.

Kevin Weldon, however, seemed to have a blank spot when it came to Austen's name at the conference that day. He referred to her during the proceedings more than once as 'Sarah', so much so that former prime minister Bob Hawke told him, 'It's Sharon, Kevin, get it straight' during a panel discussion at which he had, uninvited, pulled up a chair to sit next to Austen. Hawke's job that day was to give the wrap-up address. Apart from little games like this between internet friends, the TiNSHED conferences were an opportunity for e-ventures to e-ventuate, as *The Eye* magazine of the time so aptly put it.

Kevin Weldon had first come up with the idea for TiNSHED and taken it to management consultant Robert McLean. Janusz Hooker and Vivian Stewart had then been brought in to run the business. Hooker, 29, had both brains and contacts. Educated in economics at the exclusive Wharton Business School, he had

worked for the private equity Asian Infrastructure Fund in Hong Kong. As part of the wealthy Hooker clan, which ran the nationwide real estate franchise, LJ Hooker—the 'J' was for Janusz—he'd grown up in connected circles and had even won a bronze medal in rowing at the 1996 Olympic Games in Atlanta. Hooker and Stewart, 28, had run Intel's internet marketing programs in Asia and had then moved on together to MagnaData before it was sold to Davnet.

TiNSHED initially raised $1.2 million through investments at $100,000 apiece, while the youthful pair of Hooker and Stewart went on to assess and investigate hundreds of proposals. Hooker and Stewart worked from a warehouse in the inner-city Sydney suburb of Surry Hills, as noted business journalist Emiliya Mychasuk pointed out at the time, with little in the way of traditional business fittings other than two extremely attractive blonde and brunette personal assistants, Ellen and Jane. At one time the office, with its L-shaped desk, boasted a pink papier-mâché pig for decoration; at another time, a blow-up green Christmas tree. With a plan to invest between $500,000 and $3 million in any given idea, TiNSHED's first investment was in a company called Imagination Entertainment, a games and media company.

While TiNSHED's office may have been frugally decorated, it should be noted that in November 2000, well after the dot bombed, TiNSHED's marketing budget was still extending to some fairly fabulous events. Victoria's Spring Racing Carnival that year was memorable for the TiNSHED presence, which hosted guests in a corrugated-iron-lined tent complete with red poppies and funk music blasting across Flemington Racecourse. That Monday the TiNSHED crew had dined in relative luxury at David Evans' eatery, The Pantry, in Melbourne's upmarket

Brighton. Evans was better known for the hangout of the moment in Sydney, Hugo's Lounge. Later the TiNSHEDders moved to another trendy drinking hole, The Bot, in the affluent Melbourne suburb of South Yarra. After the Melbourne Cup, they finished up at—where else?—the favourite after-party spot, Gilbert Lau's Flower Drum on Chinatown's Market Lane.

But even TiNSHED's deep pockets eventually dried up. Janusz Hooker went on to join the real estate firm W.P. Carey in New York, with a mandate to build its business in China.

Yet the Palo Alto-based Garage.com—the inspiration behind TiNSHED—went on to survive the dot.com bust and beyond. 'We are willing to invest in unproven teams attacking unproven markets with unproven solutions. We're not interested in teams that are creating the nth solution to the same old problem nor companies who are trying to improve things by only 10 or 20 per cent,' its website said. The Garage.com maxim lived on.

The Melbourne Cup and corrugated-iron tents aside, perhaps one of the oddest scenes during the dot.com boom was the launch of the float of eStar Online Trading. The brains behind this venture—a 'real time' internet stock-trading system for laymen and stockbrokers alike—was Albert Wong, who had three years earlier been involved with the later-to-be-banned businessman Tom Koltai, and the world of internet service providers. But even Wong, who was prone to wonderfully exuberant exaggeration and getting caught in any boom-time liveliness, couldn't have dreamt of how well his launch would turn out.

As it happened, this event was scheduled for just before the beginning of the Sydney 2000 Olympic Games. Wong, an unmatched networker, happened to know the manager of the superstar swimmer Ian Thorpe. Coincidentally, Thorpe had a fascination with the stockmarket and an interest in trying out the eStar online trading system. Thorpe duly received the eStar trading-system software and in return he offered to launch eStar. The launch coincided with a moment in sporting history: Thorpe being accused by the German swimming team's coach of doping. The venue for the launch, a giant function area located on the top floor of Sydney's Chifley Tower (which, at the height of a previous boom in the late 1980s had been Alan Bond's personal penthouse located in his eponymous tower block) was simply not big enough to host the swarms of media who arrived to interview Thorpe.

eStar, which stood for Electronic Securities Trading and Research, had begun life as a subsidiary of Wong's listed merchant bank and stockbroking house, Barton Capital. Barton had already, back in March 1999, dipped its toe in the dot.com waters when it had come to an arrangement to take a 25 per cent stake in a planned online business site The Drum. The Drum hoped to provide information about financial markets from journalists and stockbroking professionals on AOL's online *Money Channel*. (The Drum also happened to be the name of a well-known resources gossip column in the *Sydney Morning Herald*.) That deal eventually fell over.

It wasn't until November of that year that Wong announced another deal to launch Barton's own dedicated Drum website. Barton's website had absolutely no connection whatsoever with the *Herald* column—indeed, it had no content. It had little business at all in fact, but it had an announcement. And it did

have big plans, which were already underway. It wanted to build a website filled with content about both the Australian and Hong Kong markets; it also had the right to publish back-copies of commentator Marc Faber's monthly musings, *The Gloom, Boom & Doom Report*.

Barton's other big plan was to develop a proprietary online trading system—a platform on which customers could trade shares themselves without having to employ a personal stockbroker. A chap called Alan Shapiro worked on building the proprietary system for Barton, which involved using the IRESS real-time information system and channelling it into Barton's online trading platform. This new system was so good that eStar was able to offer a guarantee to its users that if their trade took longer than five seconds to reach the ASX from the time eStar received their order, they wouldn't have to pay the brokerage fee.

eStar set out to raise $10 million through the issue of 20 million shares at 50c on the back of this proprietary trading system, with the ability to increase that by another 20 million shares or $10 million. A free attaching option—which could be exchanged for a share by paying 50c by 30 June 2003—was issued for every two eStar shares. As it turned out, the float was so oversubscribed that demand for the shares hit the $25 million mark in the wink of an eye and share allocations had to be scaled back. This was in spite of it listing in August 2000, well after the dot bombed.

eStar lasted longer than most dot.com companies after the crash in 2000. It wasn't until July 2002 that Wong and his board decided to throw in the towel, citing high fixed costs and continuing monthly losses of between $85,000 and $90,000. By the time they shut down the online trading system, eStar had

burned through half of its $20 million float proceeds and it was time, as Wong then put it, to get into 'something solid'.

Illustrating the very madness of this dot.com boom, Barton received four 'speeding tickets' from the Australian Stock Exchange in the 16 months up until August 2000, as its share price ran up on the strength of nothing more than various announcements about building websites and online trading systems, including one announcement which involved little more than the news that they were putting their mitts on a domain name.

But Wong, in spite of the difficulties the dot.com had thrown up, had made the most of every opportunity that had come his way during the boom. In the fabulous 1998 Davnet backdoor listing he had bought at an average of 10c before selling out when the stock shot to 25c. Sadly, he missed the $6 mark the shares were to hit later on. Barton Capital also earned fees from the 1999 float of IOCOM, an IT outsourcing business which went on to become another dot.com flash-in-the-pan.

IOCOM's greatest contribution to the internet boom would have to have been the brilliant *mea culpa* by its chairman Scott Brown in November 2001 at the company's annual meeting. What follows is part of that speech, as it appeared on the ASX's official website—whether the vagaries of spelling and grammar are the chairman's or the ASX's, they were never corrected.

> The company's losses had there [sic] genesis in the previous financial year. The 2000 financial year had seen the greatest boom in the IT industry's history. IOCOM had made a record profit of $978,000 pretax, the millennium bug, internet and e-commerce fueled [sic] boom. Optimism [and spelling it seemed] knew no bounds. I can now say with the grand benefit of hindsight it was in this environment that the Company expanded far too fast and uncontrolled, into

> many different areas which it did not necessarily have experience in. MUA was meant to be a strong profit contributor, instead it became a disaster with lots of red ink. Fullcrm, our software venture, was launched during the year with plenty of promises, ended unfortunately with tears. These two businesses which have now been discontinued (thankfully) contributed the majority of the Company's losses.

Needless to say, by 2009 IOCOM had been rebadged as Saint Istvan Gold Ltd and boasted none other than Albert Wong and Neville Wran as directors. Its shares were later suspended.

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PART THREE

The Morning After

'Some say Google is God. Others say Google is Satan. But if they think Google is too powerful, remember that with search engines, unlike other companies, all it takes is a single click to go to another search engine.'

Sergey Brin, computer scientist and Google co-founder

TWENTY-ONE

The resilience of optimists

It turned out that Hal Turner, the American who took over at the helm of Davnet from Stephen Moignard in February 2001, had excellent money-dissipating skills. He did a great job of regularly racking up monthly expenses bills of $50,000. Turner had begun at Davnet as its COO in July 2000, three months after the whistle was blown on the drug-induced party that the dot.com boom had become. He had been handed the reins of the company with $83.5 million in cash in the kitty—more moolah than most chief executives of technology companies could hope to see in the next technology boom, let alone this one.

Turner had in tow another US executive, Bob Henson, who was put in charge of the new Canadian arm Davnet Canada. Henson was quickly made chief operating officer of the Australian business. They worked so well together that they earned nicknames around the Australian stockmarket: Turner and

Hooch, after an anal policeman and his slobbering dog in a Hollywood film of the same name.

Only a year into Turner's tenure, Davnet hit a financial brick wall. One of its key backers, Investment Company of China (ICC), which had been a seed investor in Davnet's Hong Kong operations, had put up a an emergency rescue package in August 2001—a $5 million loan and an agreement to take up a convertible note and option issue. ICC realised three months later that some of the financial information it had received about Davnet was incorrect. This put Davnet in breach of its loan covenants with ICC, and ICC pulled the pin on the convertible note and option issue.

In hindsight, there was little doubt that when Turner had been in charge in 2000–01 there was much going on in the company—and in its financials. Davnet's asset position fell by $100 million to not much more than $21 million. At the same time, its cash reserves shrank by $72 million, leaving about $11 million in the once-bursting company coffers.

And Turner was anything if not generous. He parted company with Davnet after writing himself a $200,000 cheque for services rendered, and made sure to include a $16,000 expenses bill. Davnet's losses were about $120 million and its investments in Hong Kong and the United States were written down. The other loss it recorded was that of its chairman, O'Shea, who resigned.

The Japanese telecommunications company NTT had originally paid a handsome price to Moignard for half of MagnaData, and it was there now to assist Davnet again. It struck a deal to buy the other half of MagnaData—now called Davtel—for $16 million in November 2001.

Davnet had been stripped back to cashbox status. Picking up worthwhile technology investments on the cheap was the forte of the undoubtedly savvy former Elders executive Geoff Lord. Davnet merged with Lord's Utility Services Corp.

And the $100 million which had been subtracted from its asset position in the Year of Hal? The Australian corporate watchdog was approached by the new board to investigate these losses, but the Australian Securities and Investments Commission declined.

As for Robert 'Hal' Turner, he went on to pursue a sterling career in international telecommunications. In December 2003 he bobbed up as the chairman and chief executive of a company called IP Deliver, a company in the business of Voice over Internet Protocol, or VoIP—talking over the internet, in other words. He was quickly replaced in that job by another technology entrepreneur. Several months later, in 2004, Turner arrived in London as the chairman of the board of directors of a wireless internet company called LastMile Communications. LastMile was on its last legs as far as its funding requirements went. Turner was brought in to solve those problems. At LastMile 'his knowledge of telecommunications and links to potential investors will bring the company to the next level,' the company advertised.

Turner's next stop was back in the USA. In February 2007 he was bought in to run a company called Catcher Holdings. By December, only 10 months later, Turner had again resigned. When Turner departed, the company had about $US100,000 to keep it going. Catcher manufactured the 'Catcher' portable computer—made to army standards. Sadly, its coffers weren't as rugged. A prospectus to raise funds for Catcher in January 2008 made interesting reading:

> We have incurred losses since inception and expect to continue to incur losses for the foreseeable future. We will require additional capital financing in order to maintain our current operations and may have difficulty obtaining such additional capital on acceptable terms or at all. If adequate funds are not available, we will be required to cease or curtail our operations, or obtain funds on unfavorable terms. These factors create a substantial doubt about our ability to continue as a going concern.

The following made for equally exciting reading:

> We have identified material weaknesses in our internal controls, and as a result, we may not be able to accurately report our financial results. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business.

They certainly could not be accused of over-hyping this project!

Turner was last seen in 2010 at a company called Pac-West Telecomm. He was brought in to run the company in January 2008 after it had emerged as a private company following filing for Chapter 11 bankruptcy in May 2007 as a publicly listed company. As ever, his blurb was upbeat. 'Hal Turner sets the tone and charts the course at Pac-West,' the company declared. But it was in its description of Turner's career that it really hit a high note: 'vibrant' was the adjective it chose.

It must have been an interesting challenge to fulfil the duties as a director of Stephen and Barry Moignard's CBD Online during the Post Bubble Era. The company had bought a fellow

e-commerce player called Halescom in October 2000. It had agreed to pay as much as $23 million in scrip, depending on Halescom's performance, but ended up paying $8.3 million by the time the deal was settled in January 2001. It was soon established that $8.3 million had been way too much to pay. In April 2001, within three months of having bought Halescom, the CBD Online board decided to appoint a voluntary receiver to its Halescom subsidiary.

By June of that year CBD Online was warning shareholders, after being heavied by the ASX, that it might report a loss of between $11 million and $25 million. CBD Online had originally planned to wait until the completion of an accounting review before predicting its prospects. It was easy to see why an accounting review had been necessary. The loss was reported at the end of June at $22.5 million. But, unlike so many other techno-visionaries, the Moignards stuck around to see the company through when difficult times hit.

CBD Online's sad experience with Halescom hadn't put it off corporate wheeling and dealing altogether. In July 2001 it bought Ventronics, a Hong Kong-based software company. The vehicle that held Stephen Moignard's shares in both CBD Online and Davnet was called Clever Country Software and it was also the happy recipient of $682,910 in cash and shares for the work Stephen Moignard did in assisting with the Ventronics deal. But then a year later, another of the Moignard companies, Bay Terrace Holdings, very kindly put up a loan of only a little more than that—$800,000 to be exact—to help out a cash-strapped CBD Online.

Meanwhile, Stephen Moignard was pushing on with his own private interests. He had invested in a company called DotWAP in July 2001—at the same time as he was busy helping

out CBD Online with Ventronics. Thankfully for DotWAP, a wireless data services company which wanted to provide data to PDAs—personal digital assistants like Palm Pilots—Moignard was cashed up. Six months earlier, he had been keen to sell some of his 70 million Davnet shares when they came out of escrow on 29 December 2000. The faithful Swiss backers and another Hong Kong fund, which was already a Davnet shareholder, agreed to buy 20 million from Moignard in off-market placements. He raised about $6.6 million from these sales. At the same time he agreed to place the remaining shares he owned in voluntary escrow, half of them for six months, and the other half for a year.

This time his Swiss investors convinced him to take out a loan with them instead, so he could buy that palatial spread in the upmarket Melbourne beachside suburb of Brighton that he had set his heart on. They had been concerned that the stockmarket could misinterpret the sale of shares by the company's chief executive as a sign of impending doom. And they would have been correct.

Unfortunately, many Davnet staffers had taken Moignard's involvement in DotWAP as a sign they ought to invest. With that business going nowhere Moignard felt obliged to rescue them and offered them some of his Davnet shares in exchange for the almost worthless DotWAP paper. This had the appearance in late February and March 2001 that he wanted to get out of his Davnet investment. Six million shares were transferred out of his name in a series of off-market transactions worth about $2.9 million. On 23 March he transferred shares worth $2.4 million. On average, the value of each Davnet share he transferred was 35c. A year earlier they would have been worth nearly $6 a share.

Moignard continued to transfer his Davnet shares after he had resigned from the Davnet board that March. The Australian Tax Office became interested in the transactions and wanted Moignard to pay tax on the value of the shares that he'd transferred. He argued that he'd never received cash for the shares and so ought not be required to pay the tax.

By 2003 Moignard was facing bankruptcy, owing $21 million, give or take the value of a boat or two. As it turned out, by the time Moignard's Swiss backers wanted their cash back, Moignard was rather less flush than he had been when he agreed to the loan. Moignard no longer owned the Brighton mansion he borrowed the cash to buy. If the Swiss weren't demanding enough, the ATO was also beginning to become insistent about getting its hands on some of the taxes it believed Moignard owed.

About $5 million of the $21 million these various parties alleged he owed, the greedy ATO wanted. As Moignard was later to put it in an official letter to the Office of the Liquor and Gambling Commissioner (OLGC) and the Police Commissioner of South Australia: 'Despite no longer having the "paper" wealth I once had, in 2003 I received an amended assessment demanding more than $5 million from the Australian Taxation Office which relied upon the BRW [*Business Review Weekly*] valuation of my net worth and gains.' Moignard felt that none of the responsibility for the tax dispute rested with him.

He continued: 'In order to dispute an amended assessment by the ATO, a citizen has to deposit the amount of the demand into the court before the case can even begin. This made it impossible for me to challenge the validity of the demand as I did not have $5 million to deposit.' One thing that hadn't faded

was Moignard's skill in cutting a deal. His offer to settle those Tax Office debts would be to make repayments over four years.

As for Moignard's once-faithful Swiss backers, they were owed $8.7 million, of which $2.49 million was an interest-free loan from Swiss corporate dealer Hans Rudi Moser's Agraconsult Anstalt. Moser had put up that cash so Moignard could buy the Brighton mansion.

Moignard later went on to say that he was legally able to distribute some assets before he came to an agreement with his creditors under the Bankruptcy Act. Moignard had some very good friends, as *Age* reporter David Elias pointed out. Chris Stock was an excellent friend as well as a former policeman. He was gifted one of life's necessities: a $1.24 million boat. Then there was Lisa Beygel, to whom Moignard had given $100,000 in jewellery and $50,000 cash. Moignard had also looked after his former wife, Alice, when they had split up in 1999; she received as part of her financial settlement the $2 million-odd marital home in Melbourne's Hawthorn and the two cars to escort her on and off the premises—a Porsche and a Mercedes. She had also received $300,000 in cash. It was nice to know that someone walked away from the Davnet experience seriously wealthier than when they had walked in.

But Moignard reserved his greatest generosity for former business associates. Jame Lewis, who was one of those associates, got the $2 million-plus Brighton house as part of his purchase of a trustee company, Pure Capital Investments, from Moignard. It was an even greater display of generosity from Moignard, given that he had bought that palace with money he had borrowed from his Swiss investors. Lewis must have thought it was a reasonable deal—he paid $2 for the trustee company and got in return the two shares on issue in the company and the transfer of the house.

Pure Capital Investments' other role had been to administer a Moignard family trust. One of this little trust's jobs was to look after the shares in DotWAP. As for CBD Online, Moignard's shares in that dot.com were held in a discretionary trust. That was such a shame because, according to Moignard's bankruptcy trustee, that trust was out of his control.

Bay Terrace Holdings still operated, despite Moignard's personal financial hardship. In fact, it appeared almost unaffected by those problems. In 2003, while Moignard was fighting bankruptcy, Bay Terrace Holdings agreed to subscribe for more shares in CBD Online. CBD Online was, by that stage, trying to take advantage of what it anticipated would be the next stock-market boom—it had been rebadged CBD Energy. Stephen Moignard, of course, had no interest—it was his family, not him, who controlled more than half the shares.

In the end Moignard and the ATO came to an agreement over a $1.2 million offer. 'As I was unable to pay the large amount demanded by the ATO, I made a lesser offer to avoid bankruptcy. I offered $1.2 million to be paid over four years. This was negotiated as a "Part X" agreement under the Bankruptcy Act but did not amount to bankruptcy,' he explained in the letter to the Commissioners of Police and the OLGC. Officially, someone who has instituted a Part X agreement—otherwise known as a personal insolvency agreement—has committed an act of bankruptcy, but they are not declared bankrupt. However, they will forever be mentioned on the national index of likeminded individuals—the National Personal Insolvency Index.

Five years later, having paid out his creditors, the then 44-year-old Stephen Moignard was minding his own business and busily running a bunch of junk-mail marketing companies.

And again, he was doing a wonderful job. It was hardly his fault that the Australian Securities and Investments Commission came calling. He was not supposed to be running any company after entering into the Part X arrangement but, according to Moignard, he was not running any of the companies: 'At the start of the Part X period, I resigned all my board positions and directorships, public and private. I continued to own shares in some companies, and I bought and sold shares, but I was not a director of any company during the four years of the Part X,' he claimed.

However, the corporate watchdog had other ideas. 'ASIC took the view that I was acting as a director, even though I was officially not one, by being involved in the management of these businesses.' But of course there was a very good reason Moignard was in some way involved in these businesses. In his words, it 'was a real situation of damned if I do or damned if I don't'. How could he be expected to pay $1.2 million over four years without getting a good return from his shares?

Officially, and after legal advice, Moignard pleaded guilty. Although, as Moignard was quick to point out, no one should pay too much attention because the charge of acting as a director while disqualified is an 'obscure and seldomly [sic] litigated offence'. And, of course, because Moignard did not fight, there was no way to ascertain whether or not ASIC and the Director of Public Prosecutions were legally correct—there were very few precedents for this offence and certainly none that matched the circumstances of one Stephen Moignard.

He was convicted and fined $15,000 for managing Secure Portfolio Management and Statestreet Holdings, the junk-mail companies Australian Mail Solutions and i2iMedia, and Wine Logistics. They were all brilliantly clever ideas, perhaps

just slightly smaller beer than Davnet—Wine Logistics was in the business of selling one-glass bottles of wine. The junk-mail companies sent their bumf to Australia's senior management, most of whom, no doubt, actually had the time to read it.

But this wasn't to be the end of Moignard's troubles. ASIC also revealed it was interested in Moignard through its connection with the multi-agency tax-avoidance taskforce Project Wickenby. In early May 2007 the Australian Federal Police initiated a series of raids on various premises in search of information relating to Moignard's tax business. The urgency and the secrecy related to ASIC's concern for the protection of certain documents.

Moignard realised quickly that the 2005 raids on his home and offices, and on his ex-wife's home and on offices belonging to associates, had all been connected to the Tax Office and ASIC's suspicions that his tax affairs were worthy of the authorities' interest. It was a form of torture to Moignard. He was not questioned by authorities and he did not know any of the Wickenby organisers, yet he was on the list of suspects. 'I have not had a single opportunity to dispute the allegation that I am involved in Wickenby activities, and yet I am told by the DPP [the Department of Public Prosecutions] that I am on the list of Wickenby suspects—and I am treated differently because of this,' wrote Moignard in a letter to ASIC. 'I am the subject of a vastly exaggerated investigation by the government because of this suspicion, that results in $3m of taxpayers' money being spent to recoup a $15,000 fine for an offence that arguably would not even have been pursued by the DPP had they not already been informed that I was somehow involved in Wickenby.'

But it was a happy ending to a sometimes-sad tale. Moignard came to terms with the tax office's decision to pursue him.

He blamed their pursuit on his wonderful press profile. A press profile is only useful, as it turns out, at the height of a boom.

Moignard has since taken to making his own press on the web. As he says: 'Why I would be targeted in this way for the attention of so many government agencies and actions is a matter for speculation. Perhaps it was my high profile [in] 1999–2000, perhaps it is the public's fascination with personal boom and bust stories, perhaps it is something more sinister involving enemies in positions of power.' If only he was willing to disclose his enemies.

But we shouldn't feel too sorry for old Stephen Moignard. At last count he was eking a living out of his 'small' vineyard in South Australia—a place where presumably Ferraris are as redundant as they are in Hong Kong. In October 2010 Moignard received an unexpected letter from ASIC saying that its interest in him had concluded. He was also in talks with the tax office over a rather large refund.

As the years passed, the attraction of Richard and Neil Steggall to nearly insolvent, or actually insolvent, telecommunication companies continued. Clever chaps like the Steggalls were fortunately not lost to the global telecommunications industry.

Like a flea, another Steggall company appeared on the scene unwanted. It was 2008 and this time the vehicle was called RSI Capital. (RS presumably stood for Richard Steggall and not the other much-utilised acronym.) The troubled telecom that RSI had jumped onto was called Commander Communications. Commander was a telecom-services company that collapsed in August 2008 owing $350 million to its secured creditors.

Richard Steggall appeared to have heeded his performance in front of the 400-odd creditors of NewTel. This time around his involvement remained extremely private. So private, in fact, that any access to anyone with the surname Steggall was continually denied to certain members of the press. Fronting the Steggall-conceived bid for Commander's business was a former Essendon footballer with a certain rough charm, Frank Dunell.

Together, Dunell and Peter McEvoy fronted a company called War Dour Investments, which had been set up as the vehicle to take over the Commander business. The pair had been behind the launch of another telecom the previous year, called Blitz Telecom. Blitz was an appropriate name—it bombarded the telecom sector and then, like a puff of smoke, it was gone the following year. A bid for the failed Blitz emerged—again, with the omnipresent Steggalls behind it. Presumably there was a dearth of financially fit telecommunications companies doing deals that year.

It was appropriate then that the first time Commander's boss Amanda Lacaze met Dunell and McEvoy was at a preliminary final of the Australian Football League at the Melbourne Cricket Ground on a Friday night in September 2008. Lacaze was there at the invitation of St George Bank—it was hoped this bank would help fund the deal. The following Monday the pair arranged a conference call with Commander's management to discuss the possibility of an offer for the ailing telecom. Also on the call was a fellow called Richard Steggall. Steggall asked some sensible questions. He was also particularly interested in the buyout proposal that Commander's own management was putting together and in discovering who was helping fund their MBO proposal.

War Dour's management buyout proposal was accepted as the preferred option in early October and the Steggalls appeared to be on song. By 9 October 2008 the real deal arrived to meet Lacaze and her management team. Commander's offices were located on the third floor of a spacious Darling Park complex overlooking Sydney's Darling Harbour. In tow with Dunell and McEvoy was a prematurely grey, well-dressed 30-something individual who introduced himself as none other than Richard Steggall.

For a bunch of blokes who apparently had a fully funded bid waiting in the wings, Dunell, McEvoy and Steggall appeared again to be particularly interested in where the management were getting the funding for their proposal. So interested were they that Lacaze and her team began to entertain the prospect that the War Dour offer (which was really the RSI offer) was not a secure offer at all. Probably not helping the situation was Steggall's desire to refer some of their discussion points back to his 'Dad'. 'Dad', or Neil Steggall, had worked in Hong Kong in the days of the empire and had acquired something of a racy business style, cloaked in serious English poshness. He was the elder statesman of the duo.

By the middle of that month War Dour—aka RSI, aka the Steggalls—made it known they had their funding in place. Oddly, though, it filtered back to Commander's management that its own backers had been contacted by the Steggalls' brilliant consortium, which was in fact still looking for funding for this hardly-secure-at-all bid. Suddenly it appeared as if working for the Steggalls would be a fate worse than death and that their bid was less attractive than that of rolling the body of Commander into a corporate grave, which the management duly did.

Neither was Peter Malone lost to the world of small companies. Little more than a year-and-a-half after the liquidator of NewTel took over Malone's job at the end of 2002, he was still frequenting the kind of establishments that normally required one to at least have a job. Black Tom's Oyster Bar in West Perth's Ord Street was a drinking and meeting hole for some of the best promoters that Perth had to offer. Blokes like Malone loved a place like Black Tom's, where lunches were long and suitably lubricated.

Malone was working from the offices of the Perth boutique advisory Boston Corporation in 2004. Boston was helping another troubled former dot.com company, No Regrets, and its boss Alistair Norwood, at the instigation of another familiar face—the former Deloitte boss Dominic Martino. Martino had departed Deloitte after publicity over his highly involved relationships with other companies like NewTel. These relationships were before the days of US Sarbanes Oxley legislation of 2002 which set rigorous standards for public company boards and accounting firms to help prevent conflicts of interest. Back then, accounting firms were still involved in every angle of their clients' business, for example sitting on the board of a public company while also being the same company's auditor.

As for Norwood and No Regrets, he had successfully launched a nationwide jeans discounter, Jeans West, but came undone at the seams in 1989 after his business came up against some financial difficulties. Neither was a tax-effective, online lingerie scheme like No Regrets as successful as the Victoria's Secret lingerie chain in the USA, on which it had been modelled.

When No Regrets shut up shop in July 2002, Malone stepped in to help negotiate with creditors and try to prevent the appointment of a liquidator.

Sadly, Malone's involvement didn't prevent the arrival of the corporate undertaker. Meanwhile, his customised black stretch Aston Martin appeared to have gone back into the hands of the finance company. But it had been replaced by a vintage 1970s Mercedes bearing the number plates 'PM'. At least he hadn't lost his sense of style.

At the opposite end of the Mercedes-Benz style spectrum was Adam Radly. A real-life Walter Mitty, Radly didn't decrease his pace after he had donated more of Isis's cash than it could afford to Nelson Mandela's Children's Fund. By 2008 Radly had directed his altruistic urges at a more specific target—the West African country of Mali.

Plastered all over the website of his charity, the Radly Center, were images of a serious-faced Radly sporting t-shirt and muscles on his muscles, squatting in a Mali village. Radly and his team—website visitors were left to guess at their identities—had made three trips to Mali. Radly's reasons for picking Mali as his altruistic outlet were also left to the imagination. What he had planned for Mali was the Radly Center's Accelerated Development Program.

Unlike Radly's philanthropic activities in Australia, this time the spate of activity was fully funded by Radly himself. However, one should hasten to add that Radly's website pointed out that, once his 'pilot' programs in Mali were concluded, the Center might consider taking donations. Of course, Radly had

proven time and again that he was more than happy to look after, if not put to use, Other People's Money.

Along the way, baby-faced Radly was becoming ever more experienced in the ways of international business. As well as altercations with disgruntled shareholders, Radly could also add to his resume certain altercations with Los Angeles County sheriffs as they moved to help recover disputed funds from Radly's previous business dealings in 2005. One just had to ask Xavier Roy, the former owner of Web's Biggest, which aimed to be the world's most fabulous search engine. Roy had sold his business to Radly's US public company Inova Technology (then called EdgeTech) in 2005 and had then fallen out with Radly over management of the company. While Web's Biggest aimed to be big, it also had succeeded in being a terribly slow search engine.

As for donations from shareholders for Radly's ever-burgeoning financial interests, he was in need of those by 2010. Inova was suffering from a severe shortage of funds, according to its SEC filings for the year ended 30 April 2010. Its liabilities of $US19.22 million just slightly outweighed its assets of $US3.84 million, let alone its cash of $US336,746. It did seem almost superfluous to point out, as Radly did in the same accounts, that the company could have difficulty continuing as a going concern.

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TWENTY-TWO

Never say die

In 2010, Stephen Conroy, as Minister for Broadband, Communications and the Digital Economy, tackled the hoary subject of censorship. His plan was to introduce filtering by internet service providers of any unsavoury information—such as pornography and handy tips on how to euthanase oneself—from public eyes, allowing a 'clean feed' internet. It was little wonder then that it was former listed online sex-shop boss Sharon Austen who was asked to run for the high-profile Sydney seat of Wentworth on the ticket of the Australian Sex Party, which was violently opposed to the plan. And who was the sitting member for Wentworth? Why, it was none other than another dot.bomb babe, Malcolm Turnbull, onetime windfall recipient of some of the ISP OzEmail millions. But by this time Austen's long-running affair with the internet had just about ended.

A decade on from the Sharon Austen stockmarket listing in 2000, she was living in London's swanky borough of Chelsea.

She remained interested, however, in affairs of the heart and other throbbing organs—she was writing a screenplay about Charles II's long-term mistress, Nell Gwynn, and the life of an Australian callgirl living in Gwynn's former house. At the same time she was attempting to rouse interest in another screenplay she had completed, called *Killer Cranky Diamonds*. A start-up movie house had expressed interest and it planned to launch—where else?—on the internet. Meanwhile, Malcolm Turnbull remained enmeshed in the World Wide Web—and visitors to his personal website were being asked to sign up to his e-newsletter.

Also eschewing corporate life, but not the public nor his love of a good drop, was Stephen Lionel Moignard. In a gesture aimed at the Australian Tax Office he gave two plonks he produced from his Hundred of Comaum vineyard in South Australia's Coonawarra wine-growing region the names 'The Tax Collector' and 'The Deputy Commissioner'. One personal accoutrement Moignard did appear to have gained following the dot bombing was a sense of humour. His Coonawarra noshery's website (old internet habits die hard) offered this advice for would-be entrepreneurs: 'Never, ever agree to be included in the *BRW* Rich List. People pay hundreds of thousands just to be left out.' It appears his grasp of reality (this claim is utter nonsense) had not quite kept pace with his miraculous development of a funny bone.

Moignard's 2006 Reserve Cabernet Sauvignon and Shiraz were collectively known as 'The Wickenby Collection', in homage to one of the ATO's more prominent initiatives, and he pointed out that, at $32 each, they would allow the buyer to 'rest comfortably in the knowledge that you are contributing significantly to the welfare of the Australian government',

presumably referring—albeit obliquely—to the staggered payments of $1.2 million he had agreed to in a settlement with the ATO. The other service he provided was an alimentary one. It was Moignard who cooked tapas at his Penola cellar-door restaurant, the Terra Rossa Wine Club—including a mean-looking Amarillo *menestra de verduras*, otherwise known as veggie casserole.

Others took a bite of the internet cherry, found the taste not exactly to their liking, and continued on in their brilliant careers, unhindered by the experience. Frank Blount had originally brought his brand of American management practice, AT&T-style, to the nation's top telecom, Telecom. During a seven-year stint, he re-birthed it as Telstra and then brought it to the stockmarket in 1997 before departing. With that wealth of experience and big-company salaries under his belt, Blount went for the big gamble with the listed Florida concern Cypress Communications, which provided wholesale broadband services. It had a market capitalisation of little more than $US430 million on his appointment.

Blount took the Cypress job in June 2000, several months after the dot bombed, presumably in the belief that an astute combination of management skills and business models could outrun a technology downturn. Running Cypress was a full-time role, so he resigned from two of Australia's most desirable boards, BHP and NAB, so he could focus on it. He lasted a little over two years at the baby telecom before resigning in October 2002, but not before he had battled with success NASDAQ's Listing Qualifications Panel because the stock didn't meet its minimum price requirements of $US1 a share and its market value requirements of publicly held shares of $US5million. And that wasn't to mention his other play: he

took on the chairmanship of Kerry Stokes' telecom, B Digital, and was granted six million options exercisable at $1.

His rather-less-than-optimal Cypress and B Digital experiences didn't detract one bit from his attractiveness to other company boards—he sat on the advisory board of China Telecom and the boards of the engineering and construction contractor KBR, plus Caterpillar Inc and Paris-based Alcatel-Lucent, to mention just a few. He also ran a venture capital business JI Ventures from Atlanta, Georgia.

Then there were those at the opposite end of the spectrum, whose dot.com travails pushed them out of the business they'd been in. Disgraced Merrill Lynch stockbroking analyst Henry Blodget was not allowed to offer official advice after the dot bombed, so he went for advice of a general kind. He published a book called *The Wall Street Self-Defense Manual*, which was really about how to avoid individuals like his former self: '... as a first lesson in self-defense, just know that most of what passes for "investing" is really just an expensive parlour game, one that costs most players a lot of money, one that you don't have to play,' he advises in his manual. He also returned to his journalistic roots and wrote the *Silicon Alley Insider*, which followed New York's start-up technology scene.

Kudos had to be given to those forward-thinking individuals who not only embraced the internet and led the way in its commercialisation in Australia but later stayed true to the faith. Some of them called themselves futurists. While Spike's Creed O'Hanlon and Ruby Blessing had nothing in common other than their feud in the hungover years which followed April 2000, they both chose to describe themselves in this way. Blessing was a partner in a company called Kinetic Media, which was extremely private in its activities, just as Spike had

once been. O'Hanlon went to Hiroshima as Creative Director for Global Marketing—official title 'Creative Spark'—at the Mazda Motor Corporation where he stayed until 2003. Since then his somewhat chastened contribution to the world of ideas has been restricted to sometimes poignant, but always lucid and pertinent, musings about technology (and boats) which have appeared in many and varied on- and offline publications.

In late 2008 O'Hanlon was heading for Thailand and an experiment in 'sea-steading'—living on the sea, in other words—in an effort to simplify his life. He planned to sail his newly commissioned Tiki 38 catamaran named *Ahmad Bin Majid* (after the 15th-century Arabian navigator) up through the jungle-tangled rivers of Borneo. Unfortunately, it eventuated that his Pattayan boat-builder was somewhat unscrupulous and the wooden vessel broke apart in a small monsoonal storm not unlike those its namesake would have encountered when guiding Vasco da Gama up the east coast of Africa to India—which perhaps was a stroke of luck—before he could begin his journey. O'Hanlon returned home to Australia to lick his (non-physical) wounds following the experience. 'I have returned to Australia to put some distance between myself and this mess, which is now in the hands of the Bangkok office of a very reputable and aggressive firm of litigators,' he wrote on a sailing blog. Although he didn't think of himself as an artist, nevertheless O'Hanlon exhibited a series of 50 Polaroid photographs in the Melbourne Art Rooms in 2006. *Black + White* magazine also published a series of his monochrome nudes titled, appropriately, 'Hotels are my Real Home' in 2005.

Still successful in the so-called 'technology space' was Adrian Ballintine, who turned Multiemedia into the satellite business NewSat. In August 2010, in a nod to Rene Anselmo and his infamous ads in the *Wall Street Journal* which featured Spot the Dog urinating on politicians' legs, Ballintine took out a half-page advertisement in the *Australian Financial Review,* which took the form of an open letter to the federal government, in which he drew a parallel between his independent media company and the independent members of parliament. It was entitled 'Exploding the Broadband Myth'. Ballintine wanted NewSat to be a wholesale supplier to the government's planned national broadband network. NewSat's shares may have been trading at less than one cent in 2010, but at least it was able to report its maiden net profit—even if it was a mere $26,000.

Now BigAir was not hot air. Running a fixed wireless broadband network with near-blanket coverage in Australia's six biggest cities and generating annual profits to 30 June 2010 of $3.2 million (beating its own forecast of $3 million) was big business. Jason Ashton, BigAir's co-founder, had been there before. He had also co-founded the ISP MagnaData, which was bought by Davnet. He had then co-founded BigAir in 2002 after departing late in 2001 from the Davnet division he was running, after it was mopped up by Nippon Telegraph and Telephone Corporation (NTT). Ashton had cause to return to his roots in 2010. In July, BigAir negotiated an agreement to supply customers of the Australian arm of NTT with its network. Of course he was familiar with the Japanese business—he had run its Australian arm, previously known as DavTel. When he wasn't negotiating new agreements, Ashton was having a go at telecom minister, Stephen Conroy, in the daily blatts. Ashton managed it all before he hit 40.

Having hand-reared and then sold off two ISP's—Oz-Email and, a decade later, Unwired—David Spence couldn't help himself and jumped right back in to another. Spence became the independent chairman of Vocus on its public listing in June 2010. Vocus was bought and then floated by the Wentworth Private Equity business, another in the Investec stable headed by David Gonski and Geoff Levy.

John David, of the grocery millions, who had earlier invested some play money in business angels group TiNSHED, took the family online with Shopfast.com.au in 1998 and built it into one of the top two online grocery stores in the nation. It was sold to Coles Myer, its major rival, in 2003.

Making a habit of getting the support of big brothers was Daniel Petre, former boss of Kerry Packer's ecorp. In 2005 he got into bed with the 'other media mogul', Rupert Murdoch, in a technology investment company called netus. News Ltd owned 75 per cent. Joining Petre again was former ecorp chief executive Alison Deans. Another ecorp alumnus, Jeremy Phillips, was also employed at News Corp. He began in 2004 in New York as executive vice president, working directly for the Sun King himself, before leaving in 2010 to run the marketing services company Photon, the brainchild of media junkie Reg Grundy and his man-on-the-ground in Sydney, Tim Hughes.

But buckets of appreciation ought to be directed at those boom-time experts who moved on to the next biggest thing. Wayne Bos had run Bourse Data and then Sausage Software, where he almost pulled off a $4.6 billion deal to merge with fellow software company Solution 6. That merged company would have been 40 per cent owned by Telstra, and would thus have represented the phone company's one great dot.com extravagance. But, alas, it never happened. Continuing to

display his incredible promotional powers, Bos took over the running of Tomorrow Ltd, a stockmarket play controlled by the none-too-stupid Sir Ron Brierley and his henchman Gary Weiss. Bos was brought in—along with former managing partner of the top-tier law firm Clayton Utz, Rod Lyle—to run the listed company, which had once been known more prosaically as Mid-East Minerals Ltd. Bos barely stuck around and moved on in the middle of 2001, after only 10 months. His 'four-level strategy [for Tomorrow] which will feature a series of public companies', disappointingly, turned out to be merely single-layered.

Bos then moved to Los Angeles, where in 2006 he was employed as chief executive at the 'growth company' Natrol, whose line of business was nutritional supplements, though Bos himself may have been challenged promoting its NuHair product given his somewhat shiny noggin. Thankfully, while he might have lost some hair, he hadn't lost his nose for deal-doing. (Any given meeting between the amazing Bos and his corporate prey in 2000 went something like this: 'We're interested in buying companies.') The year after Bos was hired, the NASDAQ-listed Natrol, which had been in business for 28 years, was taken over by its Mumbai-based major shareholder.

Bos flew on from the Los Angeles suburbs to London, where he became involved in the next big thing—renewable energy—through the private company Minergy. He was also an executive director of a flying school, though his aeroplanes never got off the ground—the business owned the old Ansett Flight Simulator Centre in Melbourne.

Solution 6's boss Chris Tyler was referred to around the North American traps in 2001 as Christie S. Tyler. He had moved on to California, where he ran a public company called

MAII Holdings, owner of another business called Car Rental Direct—until he was fired and it went under. From then on, Chris—or Christie—Tyler disappeared from public view. Perhaps his claim in 2000 to *BRW* journalist Nick Tabakoff that he had squirrelled away tens of millions of dollars, at that time thought to be spurious, was actually true. His fellow American and Solution 6 executive Tom Montgomery, who was also a private fellow, went home to Texas and became a partner in a mid-sized accounting firm, Montgomery Coscia Greilich, while becoming involved in the investment activities of Texas-based Beal Bank.

Sausage Software's Steve Outtrim drove across the United States a few times before proving that he was the real deal by settling back into another start-up industry. With the substantial backing of US technology giant Cisco Systems, he founded ekoLiving, which designs smart systems for houses and allows lights, electrical appliances, music, air-conditioning and garage doors, *inter alia*, to be controlled from a central source.

Evan Thornley was always a man with a sense of purpose. He left LookSmart and went back to his ideological roots. He was a founder of the influential pressure group GetUp, and he and his wife Tracey Ellery acquired Pluto Press Australia. Then he entered mainstream politics and was an ALP member of the Victorian Legislative Council, becoming a parliamentary secretary in 2006. On New Year's Eve 2008 he resigned from politics, much to the chagrin of the Labor Party machine, because he was 'compelled by what I thought was a once-in-a-generation transformational project'. This start-up was 'the most signifi-

cant thing in the [Silicon] Valley in a very long time', according to its founder Shai Agassi, formerly an executive director at another technology behemoth, SAP. Thornley took on the running of the local arm of this transformational project, the Better Place electric car network—whose aim was to see zero-emission vehicles powered by electricity from renewable sources around the world. And Thornley stayed on as national secretary of the leftist think tank the Fabian Society.

Anthony Bertini was another forward-looking creature. He was as inspired by the promise of 'clean tech' as Thornley was, but he took a different path. He had his own corporate advisory practice, Thumper One, which specialised in the incubation of new technologies. His aspirations to make the financial bigtime centred on downstream services. Bertini's main focus was on a clean tech stock exchange—one which only traded 'clean technology' companies; that is, companies which would be in some way concerned with sustainable energy.

Also demonstrating something of a green (or was it boom?) bent was former Lend Lease boss David Higgins, who had departed public company life and over-ambitious plans for a global real-estate empire in favour of a government-funded existence and staying in one place. In this case it was the UK government that paid his salary. He ran the government-funded regeneration agency English Partnerships from March 2003 until December 2005, and then he became the head of the Olympic Delivery Authority—responsible for delivering London's 2012 Olympic Games infrastructure on time. He had become an expert at scheduling, which was a far cry from the global deal-doing world in which he had so excelled and much closer to the day-to-day nuts and bolts at which he had not, according to his one-time chairman Jill Ker Conway.

Sean Howard and Trevor Kennedy also jumped into a new booming industry. Or, rather, it was an old one. They invested in the Cumberland View Retirement Village, a Wheelers Hill nursing home in Melbourne, and kept the residents happy by outlaying $7 million on a new fit-out. And Peter Munachen made the financial big time from another fleeting stockmarket boom industry—childcare—before moving back to the resources industry.

Harold Mitchell of emitch and his eponymous media-buying outfit Mitchell & Partners stayed living in the same home as he had for 40 years. In 2007 he backed his privately owned Mitchell & Partners into emitch. By October 2010 not only was he slimmer (care of lap-band surgery and a personal trainer) but his interest in his business had diminished when he agreed to a takeover of the public company by UK outfit Aegis. What hadn't shrunk was his pulling power—at the meeting to approve the takeover, lending their support were the new Ten board member James Packer and his old friend and new head of PBL David Gyngell, while Lachlan Murdoch sent a supportive text message and Kerry Stokes voted his shares in favour but sent an apology. They also received a bound copy of the company's last annual report. Mitchell's generosity wasn't restricted to this; among those who felt the benefit of his deep pockets was the frail democracy of East Timor.

Not losing his peripatetic ways was Kiwi entrepreneur and property connoisseur Graham Bristow. Bristow had furthered his love of good property and multi-layered company arrangements when he founded a venture capital business, Meridian Pacific Capital, while he was in California running LibertyOne. From there he set up an Indonesian property company, PT Island Concepts Indonesia, based in Bali. In the same year—

2002—he incorporated another company in tiny Delaware (which, apart from being the first US state to sign the nation's constitution in 1787, is well known for its flexible company arrangements) called the Island Residences Club. This Delaware company sold holiday rights and memberships that enabled purchasers to stay in one of the Indonesian property company's 10 one-bedroom villas in Bali's upmarket beachside village of Seminyak. And all this Bristow ran from Island Residences' offices in the upmarket Queensland beachside village of Noosa.

Ever present in Bristow's business dealings was past Liberty-One director John Kennerley, who chaired both Bristow's venture capital business Meridian Pacific and the Island Residences Club. Apart from his closeness to Bristow, he was also famous for his marriage to television personality Kerri-Anne Kennerley.

Dabbling, very privately, in Perth property was Peter Malone, former boss of NewTel. He left the stockmarket well enough alone. Far more successful in the global property market was former TiNSHED boss Janusz Hooker, who left Sydney and headed to New York in 2003 to work for real estate firm W.P. Carey and who, within six years, had paid $67 million to buy back the Australian real-estate business founded by his grandfather, LJ Hooker. At that point he began referring to himself as Leslie Janusz Hooker.

Then there were those internet entrepreneurs who couldn't leave behind their wildly ambitious ways. Tom Koltai's last known attempt at profitability in the telecommunications industry—after several false starts during the boom in internet service providers—was in the business of innovative phone cards bearing pictures of bikini-clad models, who would drop

their clothes when turned upside down, a recycling of an old line in cigarette lighters which boasted the same instant-stripping models. Unfortunately, Koltai couldn't innovate fast enough to get out of being banned from managing a corporation for 30 months 'because of his involvement with companies that were reported as having failed to pay creditors after they were placed in liquidation', according to a 2002 ASIC press release.

Even more unlucky was 'Rocket' Rodney Adler, who in October 2009 completed his parole period following his criminal conviction relating to the collapse of HIH Insurance. One of the first things he did was to hot-foot it off to the relative obscurity of South America with his wife Lyndi for his first holiday outside New South Wales since he was jailed in 2005. There, at least, he was far away from disgruntled fellow shareholders in an obscure Queensland grain-growing company Almighty Fodder, who claimed he had something to do with their company's demise. No doubt Almighty Fodder was also at the cutting edge of the industry in which it found itself, much like the Rocket's many and varied internet-styled investments.

While The Rocket's travails didn't stop his interest in business, neither did Steve Vizard lose his love of comedy. The one-time Telstra and Multiemedia board member, not to mention 1991 Gold Logie winner, moved back into comedy after his career as a company director became all too serious. At the 2006 Logie Awards he used a skit to make fun of his insider trading woes.

Eisa's Jen-Tse, aka Johnson Wang, after being bankrupted in the Federal Court of Australia in October 2000, disappeared with his wife Siu Chui Lai, aka Phynia, into the extremely adequate hiding place of mainland China.

From his Grosvenor Place eyrie, Gordon Fell had been extremely busy during the dot.com boom filling the coffers of investment bank Ord Minnett—and his own. Ord's clients were ecstatic, as were its bankers—as initially were the vendors of these businesses, though some of them were in hindsight to question the logic used to price some of the floats. Fell went on in 2001 to found his Rubicon property empire, which he sold to major shareholder Allco Finance Group, just before Allco collapsed in November 2008. The Rubicon sale netted about $64 million for Fell, Allco boss David Coe and Rubicon director Matthew Cooper. Fell was last seen applying his considerable negotiating skills to getting building permission for one of his luxury property developments in Sydney's Bondi. Where he didn't appear to do much negotiating was in the realm of his non-paid jobs. He resigned abruptly from all of them—the chairmanship of Opera Australia, his directorship of the Smith Family, as well as his trustee position at his alma mater, Sydney Grammar—following Allco's collapse.

John Landerer remained chairman of Goldsearch, as its search for share-price highs moved back to outback Australia and the search for mineable deposits. He departed abruptly from the Terrace Tower group, the business of his late, great friend John Saunders. And there were many others who returned to their roots, such as Albert Wong and Neville Wran, whose morning wanderings around Sydney's Centennial Park continued, as did their investments together—in mining, but also in the pizza company Doughboy, which made news in 2009 when their fellow investor Michael McGurk was murdered.

There were also those brilliant types who didn't have to wait for the next boom—they capitalised on the next bust. Hans Rudi

Moser, who had invested his own and other people's money in various dot.com stockmarket plays in Australia as well as lending money to company executives like Davnet's Stephen Moignard, had a brilliant new plan. He began offering corporate workout services from his Basel office, taking advantage of the global financial meltdown.

There were those who didn't make enough money from the boom to be able to leave business behind. David Harrington, of Peakhour fame, moved back to the life of a corporate floater and became the principal of independent corporate advisory Lexicon Partners (nothing to do with the giant investment manager, New York-based Lexington Partners, apart from an oddly similar moniker). Some of his work, however, got back to advising companies on pretty much what he'd done at Peakhour—using software as a service or, as it became more commonly known, 'cloud computing'.

Then there were those who had the opposite, but nonetheless awful, problem of having too much moolah to remain in Australian business. Chris Kyriakou, of kid-friendly internet play Kidznet, moved with his family to the tax-friendly principality of Monaco.

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TWENTY-THREE

A decade on

'Will e-commerce ever work in Australia?' one of the country's most successful businessmen, Gerry Harvey, was asked in 2000. 'Fucked if I know,' was his typically blunt answer. As the country's most successful retailer with more than a billion dollars behind him, he could afford to be honest, though some might argue the point on crassness.

Even if they had sufficient funding, eventually some dot. bomb stayers—like the board of online marital aids shop Adultshop.com.au—had to resign themselves to the fact that the internet wasn't enough of an adults' playground to sustain a public company, and a Perth-based one at that. It was hard to see that it could pay a big enough salary to its founder Malcolm Day for him to retain his 'tycoon' status on St Georges Terrace. By the time Day celebrated his glamorous King Park nuptials to former *Penthouse* pet Bree Maddox in March 2010, the public company had decided to get out of online adult products and go

back to its roots, so to speak. 'The board continues to search for opportunities for delivering shareholder value with a preference towards resources projects,' it told shareholders in February 2010. The online business left the public market to merge with a real-life brothel business, Sydney's Stiletto, in a deal worth $20 million.

Yet, a decade on, some retailers were successfully selling online. Online retail spending in Australia was forecast to be $12 billion in 2010, according to a report from global business research house Frost & Sullivan. Sales were now growing faster online than they were in conventional shops, but they still only represented 5.5 per cent of all sales, according to IBISWorld research. In 2010, Sensis reported that 64 per cent of Australians bought goods or services online. However, there was still a distance to go to catch up with other great consumer countries like the United States and the United Kingdom. According to Frost & Sullivan, the average per capita expenditure on the internet was expected to be $US472 in Australia, $US491 in the US and $US622 in Britain in 2010. These figures were unlikely to convince Gerry Harvey that his business was about to experience revolutionary change in the short term. He'd even once called the internet a 'con'.

As long ago as 2001—just one year after the dot bombed—it looked as though many dot.com businesses, not just merely e-commerce, were dot.gone. A survey was conducted of 170 dot.com companies trading on the Australian Stock Exchange, and this found that at least 30 of them were so-called 'penny dreadfuls'—meaning their shares were trading under the 10c mark. Companies that had employed the .com (derived from 'commercial') at the end of their names had already begun to unobtrusively remove it. 'Prefix investing', as it was called at

the height of the boom, no longer held any sway over jaded dot.com investors.

But 10 years after the tech crash, perhaps blokes like Terry Walsh, Cisco's Australian head, or fellows like News.com.au editor David Higgins (formerly the editor of the short-lived Biz.Com section in the *Sydney Morning Herald*) had been correct. Higgins' prediction that 'I don't think the bubble will ever burst' was plastered on the *Sydney Morning Herald*'s business editor's office whiteboard for years after the dot bombed. Cisco's Walsh had said in February 2001: 'I strongly believe history will show this is a small wrinkle in a long-term trend. Every phone in the world will be an IP phone. The internet is a revolution. None of the trends are going to stop just because the stock-market is overheating.'

Walsh was right about the telecommunications phenomenon of internet telephony. In 2010, 35 per cent of Australians used the internet for phone calls—an increase of 14 per cent from a year earlier, according to the Sensis 2010 research. Voice over Internet Protocol (VoIP) companies like Skype, and about 200 other smaller companies, were making big inroads into the big telecoms' fixed-line business. Although, putting that into perspective, in 2010 Telstra's fixed-line business still accounted for only about 20 per cent of the company's annual revenue.

Certainly, the number of Australians using the internet had jumped exponentially since 2000. Back then, just shy of 34 per cent of the population used the internet, according to the International Telecommunications Union. In 2010, it was 92 per cent of the population, while 88 per cent of households were internet-enabled, according to Sensis's research. And 60 per cent had standard broadband access to the internet, while 45 per cent had access to wireless broadband.

'The Web is Dead. Long Live the Internet' ran the headline of the 18 August 2010 edition of the tech-head bible *Wired* magazine, itself a survivor of the dot.bomb. A decade on from the time it took its first near-fatal purler, there was again a stench of death around the internet. But it was a passing of a different kind.

Back when the dot.com boom began, there was a celebration of individuality and equality that spread beyond the oddly coloured and sculpted hairstyles of the various players sitting at their state-of-the-art 22-inch computer screens. The internet spelled equal access to information for everyone who had a computer, or could rent time at one in a custom-built café. It meant equal access to consumers and, most importantly, to those wanting to flog something to these consumers.

The boom-time dictum of the technologists was that the internet was one of the great levellers. Australian companies and technological innovations, therefore, had as much of a right to claim their place in corporate history as those from any other country. The great leveller, of course, turned out to be the stockmarket crash that ensued, which meant that only the best—actually make that the best-*funded*—companies and ideas lived on.

In short, the egalitarian dictum was drivel. The internet was powered by a select few, and oh-so surreptitiously so. The overlord had its foundation in a 1996 Stanford University PhD research project belonging to a couple of blokes called Larry Page and Sergey Brin. Its name was derived from googol, the number '1' followed by one hundred zeros—in other words, one to the power of a hundred. Google, their research

project, grew into an omnipotent search engine that ultimately controlled where we travelled on the internet and what we saw along the way.

As with Moses or King George II of England, power was not necessarily the goal of Google's founders, even if it was what they ended up with. 'Don't be evil' had been the code of conduct Page and Brin had decided upon for Google. Its initial prospectus in 2004 stated somewhat idealistically: 'We believe strongly that in the long term, we will be better served—as shareholders and in all other ways—by a company that does good things for the world even if we forgo some short term gains.' But their do-gooding didn't go so far as to exclude advertisements, even though they had in 1998 written a paper at Stanford arguing against the advertising-based search engine. At its heart their philosophy was that the internet and its information should be open to the masses.

The second seismic shift in the development of the internet was the prevalence of applications, or 'apps' as they are colloquially known. Internet users were happy to have the website they wanted come to them on their mobile device of choice, whether it be an iPhone, BlackBerry or the revolutionary device designed to create a market for apps, the iPad. They no longer felt a need to go to their email provider, or their newspaper of choice, or their music shop. Apple's strategy was aimed fairly and squarely inwards, in contrast to Google's outwards-facing view. Australians jumped at using the internet on their mobile phones—while 26 per cent of them were doing so in the year that ended 30 June 2009, this figure had leapt to 41 per cent a year later, according to the September 2010 annual e-business report from Sensis.

No wonder then that the internet's second führer was the company which started the personal computer craze in 1976, Apple Inc. The universality and wideness of the World Wide Web had become diminished—Apple retained the right to approve all third-party applications, so it now controlled what we saw. As a result, the last rites had to be pronounced over traditional businesses like music distribution, as iTunes steamrolled its old-tech competitors. Henry Blodget, the gun stockbroking analyst, may have been purposely wrong with his stock recommendations but he was right about one thing: 'The internet is not a bubble. The internet is disruptive technology.'

It may have seemed, during the early years following the dot bombing, that the internet's role as an agent of change was under threat; but, a decade on, its position was cemented. The internet was more than disruptive to Blodget's career (remembering that he was banned from working again as a stockbroker), but it was also disruptive to the way in which consumers bought, to the way business was conducted, even to the way in which communication was made. For internet evangelist Creed O'Hanlon, the internet and related technological advances were so invasive that, in one interview he gave to the quarterly online art journal Hoboeye.com in 2008, he turned against them: 'There is an increasingly dense and impenetrable cloud of data acquisition that hangs over our lives like a shroud, and yet very few, relatively, even recognize its threat. I still engage with technology. I just refuse to fetishize it or to rely on it. I discourage others from relying on it too. At sea, I avoid it almost completely.'

Where did the global shift towards more power in the hands of fewer leave those who had been Australian stockmarket players during the technology boom of the late 1990s?

Not many remained. Those who did were bit players globally. Some, however, like Macquarie Telecom, made a decent living for their shareholders and themselves based on their business, which used the internet in its paradigm for providing communication services.

Then there were sort-of locals like Rupert Murdoch, whose internet strategy amounted to a grab for audience control. Murdoch paid $US580 million in 2005 to take control of the Intermix Media Group and its 30 sites; but mostly he paid all that dough just to get his hands on the social networking site MySpace, because he recognised that if he controlled the platform he controlled the audience. In a speech to the American Society of Newspaper Editors in 2005, he made this admission: 'Scarcely a day goes by without some claim that new technologies are fast writing newsprint's obituary. Yet, as an industry, many of us have been remarkably, unaccountably complacent. Certainly, I didn't do as much as I should have after all the excitement of the late 1990s. I suspect many of you in this room did the same, quietly hoping that this thing called the digital revolution would just limp along.'

Social networking sites, with its dominant player Facebook, went one step further than either Google or Apple and drew their audiences into what was essentially their own universe. Internet users stopped surfing and instead took to sites like Facebook.

Mark Zuckerberg and his mates arrived with Facebook in 2004, straight from their dorm room at Harvard University. Facebook did what governments and corporations had been unable to: it provided the means by which the general global population willingly registered as much information or as little information about themselves as they wanted to. Facebook was

a goldmine of information. In Australia in 2010, 56 per cent of the population were using social networking sites, which was a growth rate of 15 per cent from the year before—it was the sector of the internet which grew the greatest, according to Sensis research.

By the time a US indie band, Secret Secret Dino Club, penned a song called 'Dot.com' in 2007, the internet had finally established itself as a significant phenomenon in popular culture. Naturally, Secret Secret Dino Club used its MySpace page as its website. Not to mention something called internet detox centres springing up—places where you went to confront your addiction to your computer and its broadband connection.

In June 2009 the US government established US Cyber Command in recognition that cyberspace had become as important to defend as land, sea, air and space. Perhaps that was the moment when the internet could be said to have truly become a force to be reckoned with.

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